

Nation's Business

USEFUL LOOK AHEAD

FEBRUARY 1963

WHY PRICES STAY UP

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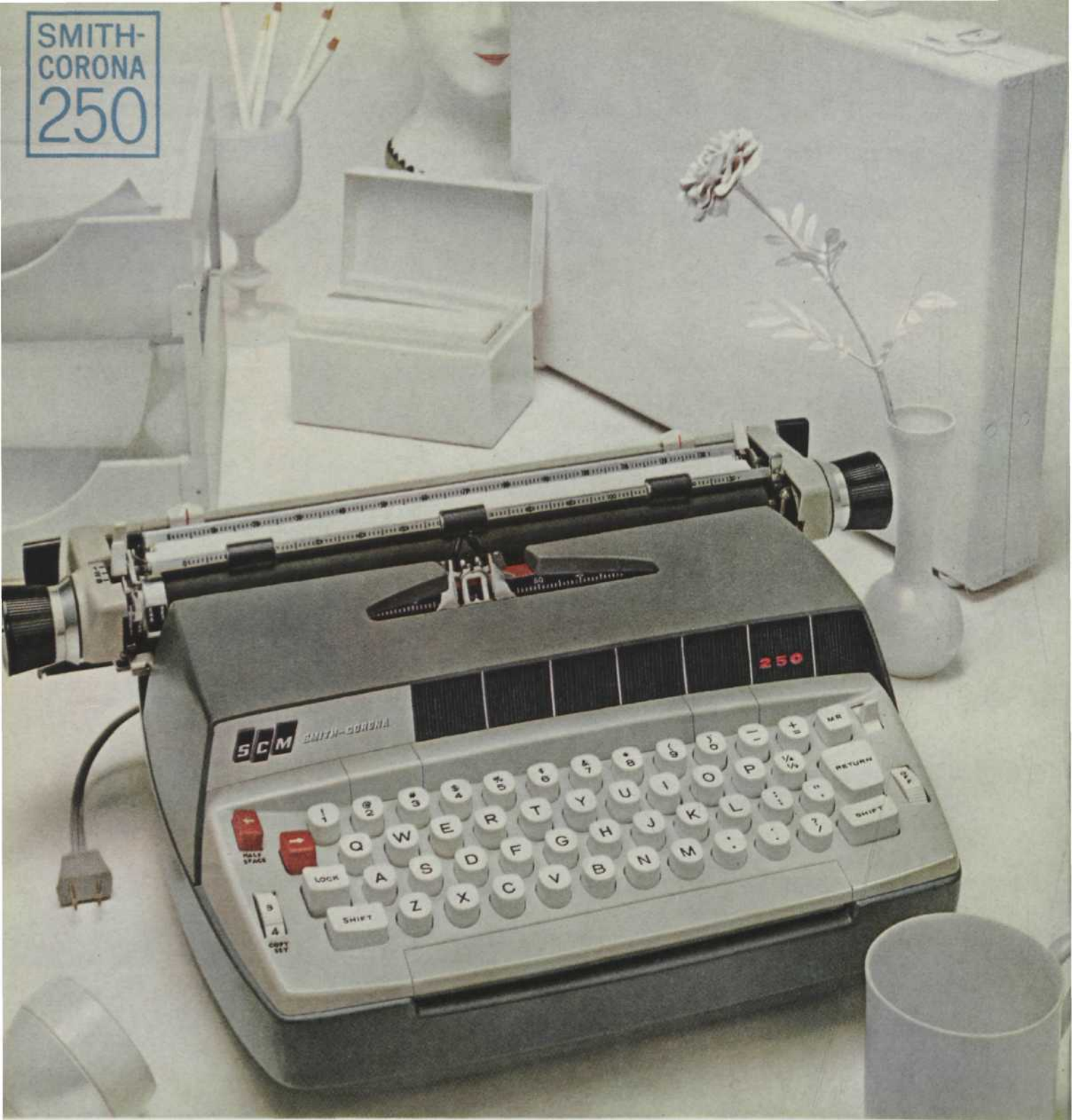
Mislabeled bills mislead voters **PAGE 92**

Regulators pinpoint new targets **PAGE 38**

You can get ahead faster **PAGE 76**

Where businessmen support Kennedy **PAGE 34**

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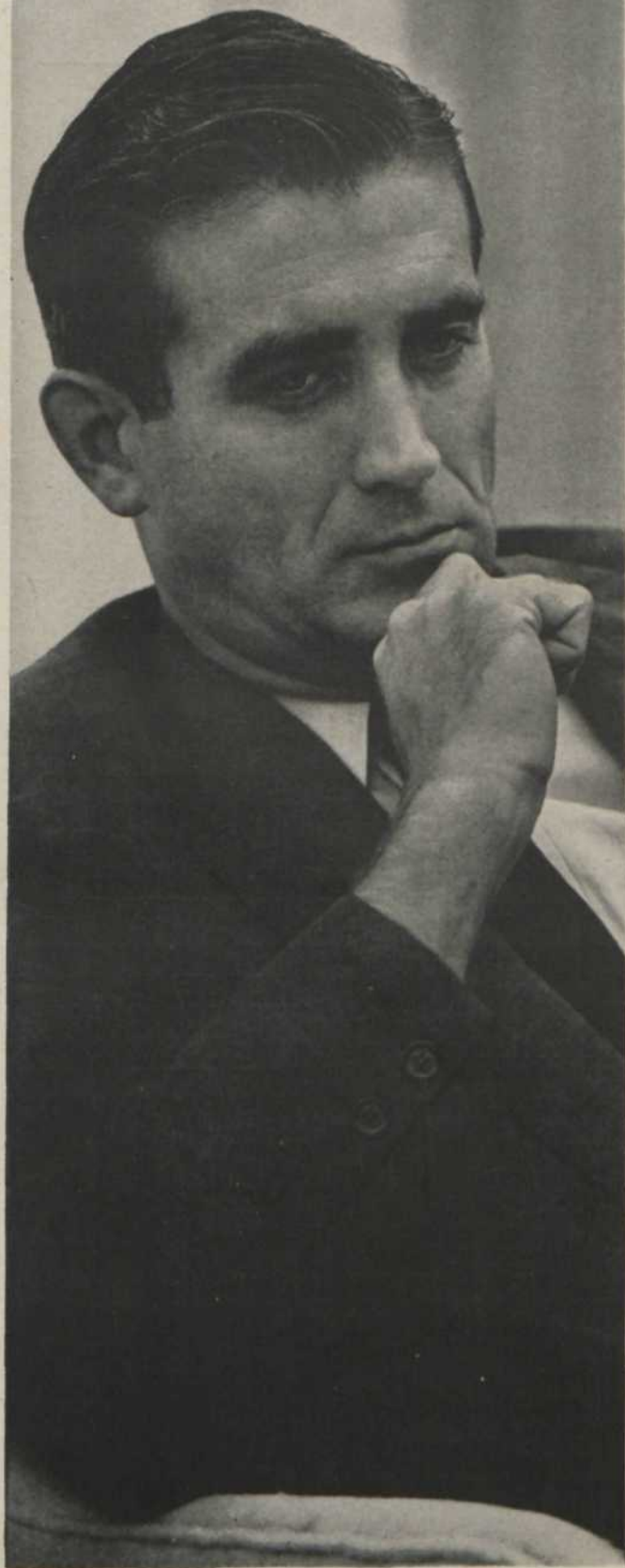
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pushing costs up, too?"*

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BELL TELEPHONE SYSTEM



Solve business problems with communications

Nation's Business

February 1963 Vol. 51 No. 2

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Washington, D.C.

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This new Crew Cab is hot off the line from Dodge. It's the lowest priced crew cab model built by any U.S. truck manufacturer. It has two seats, four doors, and room to carry six burly men in weather-protected comfort.



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The Dodge Crew Cab comes on seven chassis models: One low-tonnage, four medium-tonnage, and a pair of four-wheel-drives. Two of them, including a four-wheel-drive, are available with a 6½-foot Sweptline (shown here) or Utiline pickup body that can actually carry more than a one-ton load. The five larger models are furnished as



Dodge D200 Sweptline Pickup with Crew Cab

OVER A TON IN ITS "TRUNK"!

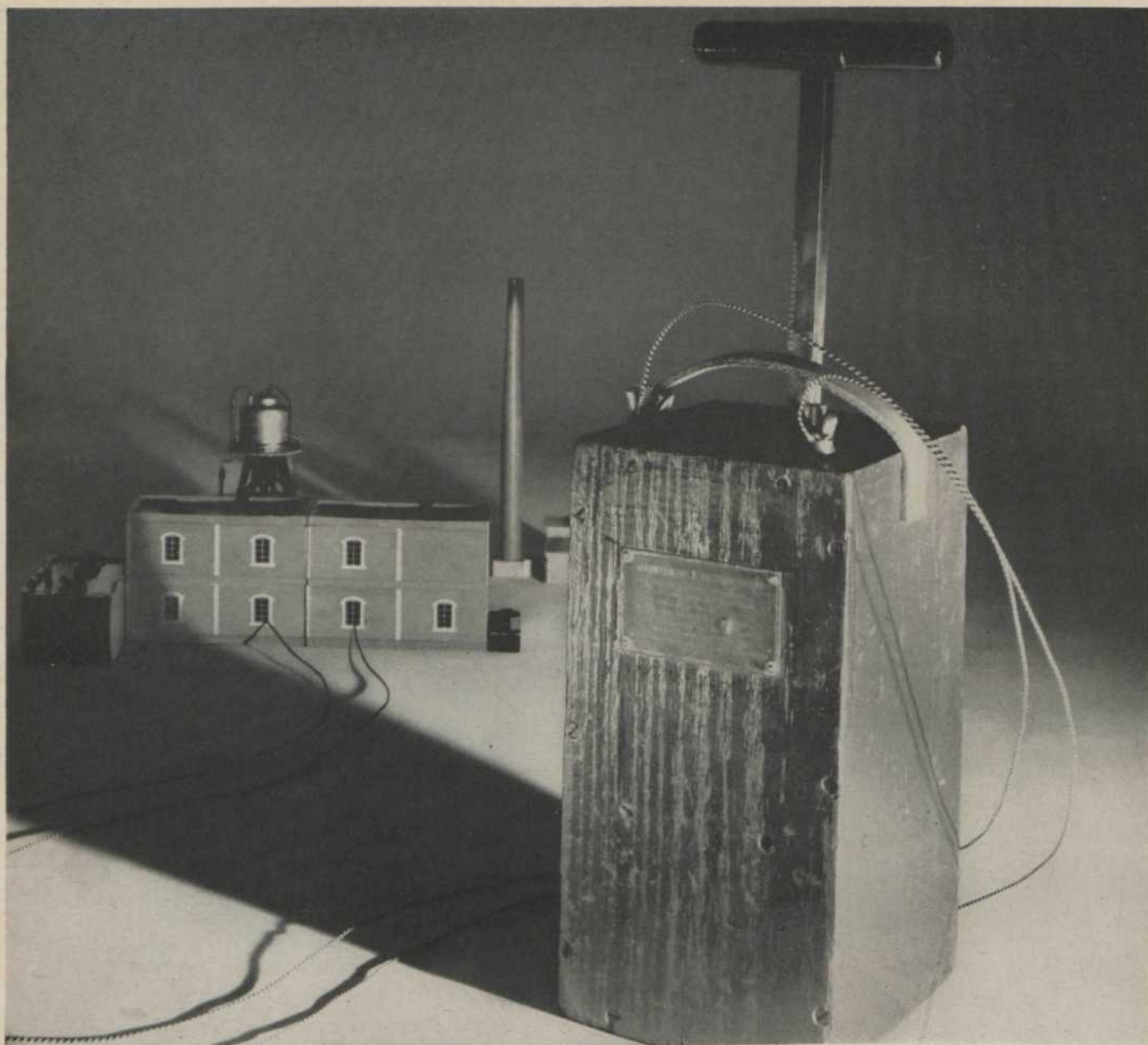
chassis-cab units for installation of special bodies and equipment.

Farmers, contractors, utility companies and municipalities think the Crew Cab is the greatest thing to happen since the driver came in out of the cold four decades ago. So will you, if you have a crew and a load of equipment to carry out to the job and back. Especially with the price tags we've put on our Crew Cab... one of the newest in the parade of Dependables from Dodge.

DODGE DIVISION



CHRYSLER
MOTORS CORPORATION



DANGER!

CLOSE CORPORATION ABOUT TO "BLOW UP" AFTER DEATH OF SHAREHOLDER

It can happen almost overnight — unless some effective plan exists through which the remaining shareholders can purchase the deceased's shares. Without such a plan, explosive situations can develop:

The heirs might like to hold their shares and participate in the business. But the surviving stockholders find them incompatible, incapable, or both, and the business is soon heading for failure.

The heirs choose to sell. Perhaps they need cash for legal

costs and estate taxes, or simply for income. But the survivors don't have enough cash to buy the stock. Even if they do, there's the problem of agreeing on a fair price for a stock with no accepted market value.

The heirs sell to an outsider. Finding a buyer is usually difficult, so they may very well have to settle for a lot less than their inheritance is really worth. And this requires the other owners to accept a stranger. Should a controlling interest be involved, their

plight could be tragic.

To keep a close corporation *closed*, many owners have a buy-sell agreement funded by Business Insurance from New York Life. The right plan can provide the funds to buy the deceased's shares—at a predetermined price that's fair to the heirs.

Speak with your New York Life Agent soon, or write: New York Life Insurance Co., Dept. NB-1, 51 Madison Ave., New York 10, N. Y. (In Canada: 443 University Ave., Toronto 2, Ont.)

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WASHINGTON BUSINESS OUTLOOK

Get set for harder selling.

That's what it'll take to keep your business growing in coming months.

Prospective over-all trend: Business will rise about 3½ per cent this year.

That's approximately equal to longer-term business expansion. But it's about half as much growth as we had in the past year.

It'll push gross national product—total output of good and services—up to record \$573 billion (informed guess).

Estimate is slightly lower than forecast by President in economic, budget messages.

There's this to remember about projected growth rate for '63:

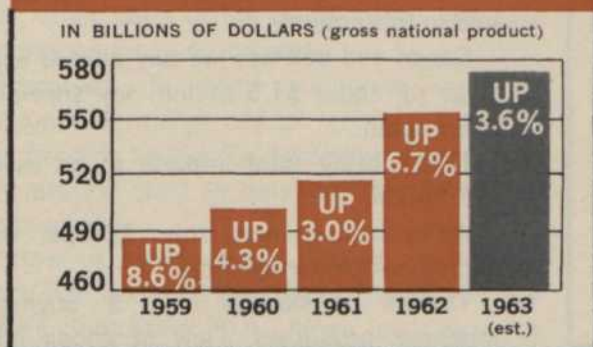
When adjustment is made for creeping inflation and population increase, real growth per American is almost zero.

That's one good reason why economists and businessmen believe there's need for tax cuts.

A \$5 billion tax cut, for example, could generate at least \$12.5 billion more business volume.

This would provide needed economic boost for improving our standard of living, would reduce unemployment. Without tax reduction, there's real chance of choking off future growth.

Growth rate slowing, harder selling indicated



Look for wobbly pattern to continue until spring sunshine brings new life to U. S. economy.

Bad weather is curtailing production and hurting sales in many parts of the country. Large numbers of workers are unable to get to their jobs because of weather, others suffering from winter illnesses. Strikes also are hurting production.

Paul W. McCracken, professor of business conditions at University of Michigan and former presidential adviser, tells Nation's Business that he thinks renewed expansion may come in final half this year.

"This assumes," he is careful to point out, "that we will get tax reduction—in spite of the on-again, off-again character of this prospect."

Rising consumer spending for services and nondurable goods will characterize the year ahead.

This is view of Jules I. Bogen, professor of finance at New York University Graduate School of Business Administration, who also notes these trends:

"Spending on durable goods and construction will be sluggish, with a downturn in multi-family and commercial building the chief unfavorable prospects.

"A substantial tax cut would brighten the outlook," Professor Bogen says.

"A vigorous upturn late in 1963 would be likely only if a large, well-designed cut in taxes is voted by Congress."

Warning against excessive optimism comes from another former presidential economic adviser.

He is Dr. Raymond J. Saulnier, professor of economics at Barnard College, Columbia University, who tells Nation's Business:

"There are still many obstacles in our path, notably the handling of tax legislation in 1963."

He regards economic momentum as weak

and looks for modest improvement until around mid-1963. After that he thinks the nation may be facing a situation much like that of last summer—"namely a kind of stalemate period in which little over-all advance is scored."

Dr. Saulnier thinks:

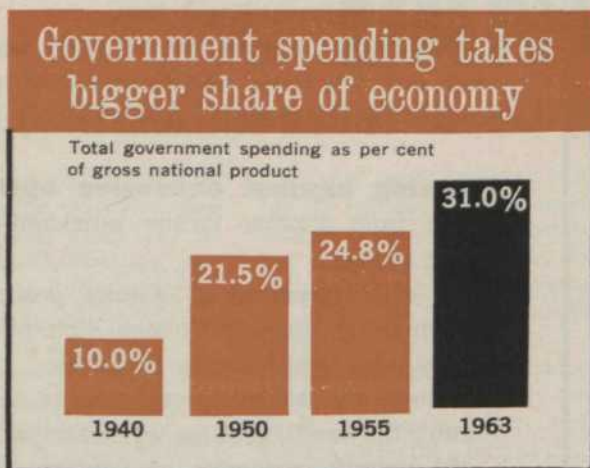
"Debate on tax policy may be prolonged at least until the middle of the year—at which point its outcome will have relatively little direct weight in this year's record and will, in any case, be competing with downward tendencies that normally appear at that advanced stage in the business cycle."

We need to restructure our tax system, he says, in ways that will improve performance of our economy. He adds note of caution: Need to exert much more effective discipline over volume of federal spending.

What can businessmen do to promote better conditions?

"'Business as usual' is the best formula," Dr. Saulnier says, "which means avoidance of speculative inventory building. Our postwar cycles have been in large part inventory adjustments. If we avoid these we've done a great deal."

Professor McCracken has this suggestion:



"Businessmen, in the national interest, must resolutely resist anything which looks like an accelerated upward movement of costs."

Take a hundred dollar bill from your pocket. Hold a match to it. Watch it burn.

Now it's gone. You can't spend it, save it, or pay taxes with it.

That—if you expect to have \$10,000 earnings in '63—illustrates approximate value you'll lose through inflation.

If you earn \$20,000 a year, inflation will burn up two hundred dollar bills.

New inflation surge ahead? No, this is no surge. It's what economists call creeping inflation—the kind expected to continue during year ahead.

It's a long-term worrisome trend.

Here's why:

Let's say your son is age 25 now. He has \$5,000 in savings. By the time he is your age—50, let's say—one per cent inflation a year will have burned up \$1,100 of buying power.

Three per cent inflation would burn up more than half.

Many price forces are at work in the U. S.—some up, some down.

For a useful and meaningful look ahead, see "Why Prices Stay Up," on page 64.

Safe bet: Record ahead for foreign goods sold in this country.

Goods and services we buy abroad expected to go up about \$1.5 billion, say specialists in Washington.

That'll bring total imports to an estimated \$27 billion.

We're buying more from Europe, Canada, Latin America, for example.

There's no slow-up in U. S. buying from Japanese producers. Flow of goods into our

WASHINGTON BUSINESS OUTLOOK

markets has been rising steadily, expected to continue along same trend line.

Comparison: In '60 we were buying an average of \$95 million a month from Japan. Dropped off a little in '61 then began new upsurge last year. Now a typical month runs about \$130 million.

Record year ahead for exports—maybe.

It's realistic to expect volume of goods and services sold overseas to reach \$29.5 billion.

That'll be highest ever. But rise from past year won't be spectacular.

Selling in some countries will be harder but increase can come, specialists say, as payoff for good salesmanship.

Rise in foreign trade expected this year

IN BILLIONS OF DOLLARS



Economic changes are expected in Europe, other parts of the world, which will have importance for U. S. industry.

Examples: In some countries—such as Belgium, Germany—capital goods equipment may become harder for Americans to sell.

In others—such as Italy—we may be able to boost volume.

Straw in Asiatic wind: Japan's tight-money policy has curtailed purchases from U. S. Now there's indication that Japan will ease up

enough to allow for good expansion of sales by American firms.

Mixture of world developments adds up to a modest increase in overseas sales for the next several months.

After that? Bigger rise expected.

Other changes in world markets noted in detail on page 84.

Here's a useful look ahead at some key business indicators:

People at work—Gradual increase in jobs expected throughout year.

People out of work—Same trend. Unemployment will rise as work force goes up faster than economic activity can provide new jobs. About 1.2 million new people expected to join work force during year. This increase is nearly twice annual average.

Factory output—No upsurge. Industrial production index appears stuck on dead center, flat trend starting months ago. Small rise expected during year, index for durable goods probably declining before new up-movement begins.

Pay—Going up about four per cent. Wages in factories now about \$2.41 an hour for all industries. Durable goods workers are getting more than \$105 a week, nondurable goods workers getting more than \$86 a week. Construction workers are getting weekly pay of more than \$128.

Hours of work—Factories are averaging roughly 40½ hours a week. Overtime, high now, may be reduced as factory managers try to cut costs. Workweek is running higher than it has for several years.

Professional income—Going up but not rapidly.

Profits—Little, if any, rise from past year is expected.

Dividends—Small rise anticipated.

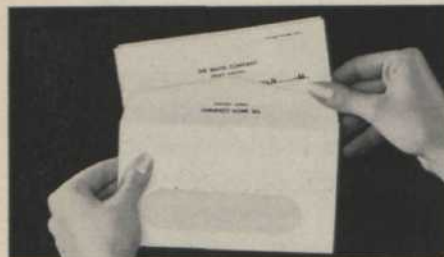
Bill in a breeze



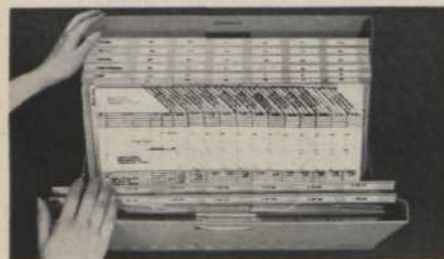
Enter items just once. They duplicate on invoice and ledger card.



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ACME Duplicating Ledger Cards give you ready-to-mail bills on handsome white paper. No costly typing with risk of errors. No flimsy, hard-to-read photo copies. Post Acme cards by hand or typewriter. Let your nearby Acme representative demonstrate how one clerk can easily peel off, fold and mail 300 itemized bills an hour. Send coupon now.

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Please have your representative show me how this time-saving Acme Veri-Visible billing system is made to order for my business.

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Business opinion:

Court decisions on job claims differ

IN "NEW UNION PRESSURES" [January Special Letter] you state "the Supreme Court held that an employer must offer jobs with full seniority protection when he moves to another city even though the labor contract had expired and another union represented employees at the new location."

I refer you to the record:

The Supreme Court has refused to review a lower court ruling denying any vested right of five auto workers to follow their jobs from Detroit to Lebanon, Tenn., after the Ross Gear & Tool Co., Inc., moved its Gemmer manufacturing division to the latter city. The high court let stand a ruling by the Sixth Circuit Court of Appeals that the language of a contract between the company and the UAW did not provide for seniority or other rights at a location outside the Detroit city limits.

This decision stands. I should like to know the case or cases to which you referred.

F. M. YOUNG
President
Young Radiator Company
Racine, Wisc.

► We referred to the case of *Glidden Co. v. Zdanok*. The difference between the *Glidden* and the *Ross Gear & Tool* cases is that the labor contract in the latter case specifically limited the workers' seniority rights to jobs in the Detroit area only.

False impression

"The Pursuit of Happiness—Breakfast in Bed?" [January] is a very timely article that brings out the false impression of "the American image" that foreigners have of the people in this country.

Certainly the wrong impression is gained of American people by such ads as you cite. The listing of the many plush night clubs on the boat at the head of attractions and the religious services at the bottom is giving a false impression of American life.

I congratulate you for bringing out this erroneous idea that cer-

tainly is not common in our country.

VINCENT K. BAILEY
J. V. Bailey Nurseries
St. Paul, Minn.

Powerful drama

I thoroughly enjoy reading NATION'S BUSINESS. The articles have been both stimulating and helpful. It is a pleasure to have a front row seat and witness the powerful drama unfolding in our national life.

WILLIAM W. VOSPER, JR.
Consolidated Machining
Burbank, Calif.

Practical and informative

I found "You Can Cure Overlapping Management" [October] very practical and informative.

JOHN A. BOCCIERI
President
Duo Plumbing & Heating Corp.
Brooklyn, New York

West Coast seminars

Your fine publication has come in for frequent mention at our recent West Coast Management Seminars.

Copies of NATION'S BUSINESS have been liberally exhibited at our Berkeley and Los Angeles seminars, in the model management library exhibit, and reprints have been used in the seminar guides distributed to the company executives participating.

EVERETT VAN EVERY
Secretary-Manager
California Personnel Management
Association
Berkeley, Calif.

Men at work

We were all very much impressed by the timely editorial "Men at Work" [December].

W. RICHARD GOODE
Director of Sales Promotion
Loyal Protective Life Insurance Co.
Boston, Mass.

Review wants digest

Once again we'd like to ask your permission to digest an article from NATION'S BUSINESS—namely, "Put Pride to Work for You" [November].

LOUIS BOHOVESKY
Management Review
American Management Association, Inc.
New York, New York

Will Your Automation Equipment Go Out Of Date?

It's a pretty pervasive fear. But let us tell you how many companies have come up with a double-barreled solution to it.

Faced with the danger of spending huge sums for equipment which could conceivably become obsolete, these firms first side-stepped the problem by *not* jumping into the large contemplated purchases.

Yet they automated anyway. One step at a time.

Paperwork Handling Made Easy

They automated what is most often the biggest stumbling block in the path of increased productivity, whether in the office or the plant—the creation of basic business documents. Sales orders, production orders, purchase orders, invoices, and all the load of paperwork that literally makes every business run.

Most important, this automation took place with addition of a few (sometimes just one) business machines priced within the range of any budget. Machines that were operated by regular employees without special training, without upheavals in either procedures or personnel.

Productivity in every case soared—yet their initial automation equipment was so basic that it laid the groundwork for any degree of automation they wanted to achieve. It was so basic that it remains the foundation of their automation today. And it will in the future.

How To Move Gently Into Automation

This building block method of automation permits you to automate step-by-step with complete freedom of choice at each step. These basic "building-block" machines can be used by themselves, with each other, or with electronic systems. They are so essential to any method of further automation that they cannot lose their usefulness within the foreseeable future.

To see how gently you can step into the long-term, demonstrable benefits of automation, call your local Friden Systems Representative. Or write: Friden, Inc., Dept. NB, San Leandro, California.



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company
had a problem,
who did it
call?**

Friden



The Northwestern Bell Telephone Company of Minneapolis, Minnesota had a paperwork problem: too much time was being spent on the constant up-dating of their switchboard position bulletins, route sheets, and related records.

Friden had the solution: the Friden Flexowriter®. Says Northwestern Bell: "All records are now typed once on the Flexowriter, and stored in

punched paper tape form. When a change comes in, the girl takes the tape, inserts it in the machine, and presses the ON button. The Flexowriter automatically types the form. When the up-dated part comes up the girl stops and types it in manually. We end up with an error-free offset master plus another up-dated tape. All automatically, at the speed of 100 words a minute."

The Friden Flexowriter is the cornerstone of automated data processing. For full details on how you can put one (or one dozen) to work on your paperwork problems, call your local Friden Systems man. Or write: Friden, Inc., San Leandro, California.

This is practical automation by Friden — for business and industry.

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TAILOR-MADE. This confidential report is not taken off the shelf. It will be prepared specifically for you, based on the requirements for your new plant as you give them to us. Send these requirements on your business letterhead to Commissioner Keith S. McHugh, N.Y. State Dept. of Commerce, Room 353K, 112 State St., Albany 7, N.Y.

Keith S. McHugh

Keith S. McHugh, Commissioner
New York State Department of Commerce

Executive Trends

- Job market still looks strong
- Is your research program on target?
- How to avoid hiring by hunch

Is executive unemployment rising?

Some professional recruiters say they note a slight increase in managerial joblessness—compared with the boomish years of the 1950's—but there is still strong demand for well qualified men, they assert.

One recruiter, based in New York City, says his firm has the biggest backlog of unfilled openings in its history. "There are an unusual number of positions open for men in top spots," he declares.

This same recruiter attributes reports of mounting unemployment among executives in part to confusion over what constitutes an executive position. In his firm, he explains, executive jobs are considered such only if they cover the four or five managers reporting directly to a company president.

"We get 30 to 55 letters a day from job-seekers, some of whom are without jobs," he says, "but many of these people are not really in executive positions."

• • •

Foreign companies are moving away from the practice of Americanizing their methods and are using our know-how more selectively.

That's the finding of Albrecht M. Lederer, current president of the International Committee of Scientific Management.

Mr. Lederer recently returned to the United States after a three-month trip to Europe, Latin America and Asia.

He found managements of foreign firms feeling their way more now than they did a few years ago, when their hunger for American know-how led many of them to snap up U. S. techniques. Foreign executives are still interested in learning about

our methods, he says, but there is more skepticism in their interest. Mr. Lederer points out that many companies abroad have discovered that the most effective means of operating—for them—is not always our way. Rapid growth of businesses in some areas, he says, has been aided by more favorable tax laws and less restrictive governmental controls than American firms face.

Mr. Lederer believes U. S. companies doing business overseas are performing with greater efficiency today than they were some years back. He attributes the improvement—at least in part—to the forced discipline of a tougher fight for markets.

Note: Business leaders in developing countries, according to Mr. Lederer, are conscious of the responsibility they bear for the changes which industrialization is bringing to their societies.

In some instances, he points out, the movement is from agricultural, family-centered cultures to ones in which industrial enterprise becomes the new focal point with which the individual must identify. To keep this transition from erupting into political chaos, Mr. Lederer says, there's a recognized need for greater education, including training of a managerial class, and replacement of old social values with new ones that are both sound and durable.

• • •

How would you answer these questions:

Do new technological advances make your present markets vulnerable? Yes. No.

Has time maneuvered your product lines or services into a highly



Jord Jordan, Jr., owns a printing plant in Charlotte, North Carolina

"I was kind of sour on group insurance..."

"But a MONY man changed my mind, with a plan my employees brag about!"

"I thought group insurance was more trouble than it was worth," says printer Jord Jordan, "until this MONY man compared it point by point with other fringe benefits I was considering.

"He gave me the facts. No double talk. Then he drew up a MONY group plan that fit my setup like a glove . . . and he helped me explain the details to all my employees.

"We started with group life insurance, which proved so worth while I've added more. Now we've got MONY health insurance, too, covering 48 people.

"They're all enthusiastic. Especially about this health part. No wonder . . . MONY paid out some 40 claims for us last year! Two people got nearly \$1000 apiece

in benefits from MONY. I don't have to sell *them* on group insurance!

"I was skeptical, but this plan has paid off . . . especially since MONY comes around to solve any problems for me. They do a real job in this field!"

A MONY specialist will be glad to answer your questions, and tailor a plan to fit your company's needs. To find out how you can offer the same type of fringe benefits as giant corporations, write to Department NB 23, The Mutual Life Insurance Company Of New York, 1740 Broadway, New York 19, New York.

MONY
MUTUAL OF NEW YORK

When it comes to employee benefits . . . MONY KNOWS

You can tell your salesmen where the business is... You can measure how much you're getting

Your best marketing strategy can't pay off fully, unless your salesmen are seeing the men who are ready to buy.

Even the most encouraging sales figures may be hiding a loss in share of market if you're not keeping up with actual potential.

Dodge Reports solve the first problem. Dodge Construction Statistics solve the second problem. This is how:

With Dodge Reports, you're sure your salesmen know the names and addresses of the men in new construction who are ready to buy, how much they're likely to want, and when they'll want it. You can be sure your salesmen are spending more time with prospects — less time on cold calls.

Using Dodge Construction Statistics, you can measure your sales volume against potential in each territory and overall. You can set realistic sales goals, based on the potential of each territory. You can see whether or not you're losing business to your competitors, early enough to do something about it.

Dodge can help you increase the selling effectiveness of each individual salesman, and measure accurately the effectiveness of your sales organization as a whole. To find out more, mail the coupon right now.



DODGE REPORTS and F. W. DODGE CONSTRUCTION STATISTICS

F. W. Dodge Corporation
Dept. NB-23, 119 W. 40th St., New York 18, N. Y.

I'd like to have your booklet, "How to Improve Sales Effectiveness in the New Construction Market," and other details on how Dodge can help us sell more effectively.

Name

Company Title

Address

City Zone State

EXECUTIVE TRENDS

continued

competitive position with low profit margins? Yes___ No___

If so, can research bring about improvements to restore profitability? Yes___ No___

Have the possibilities of new uses and new markets for your present product lines or services been studied? Yes___ No___

The answers, according to Battelle Memorial Institute, could help you to determine whether your research and development program is properly geared to your company's aims. The questions are the first four listed in a new Battelle check list-report entitled "Widening the Horizons of Industrial Research and Development Planning."

• • •

Your future dealings with unions could be more on the order of a session in group therapy than the hard-knuckled confrontations you've come to expect.

A number of firms, here and abroad, are weighing the use of social scientists as a prelude to their usual bargaining sessions. Object: to remove psychological, social and other human barriers to agreement between management and labor.

While such experimentation is still limited, hopes for the approach are high. They're fortified by studies—such as one conducted in 1961-62 by The Bureau of National Affairs—which show that unfavorable attitudes can be changed.

One consulting firm which has done work of this kind is The Emerson Consultants, Inc., of New York. Emerson's president, George Fremont, told NATION'S BUSINESS that the effort involves far more than attitude surveys, morale studies and questionnaires. "This is a subtle art," Mr. Fremont explains. "It can take months, even years, of indoctrination to alter the attitudes of management and labor."

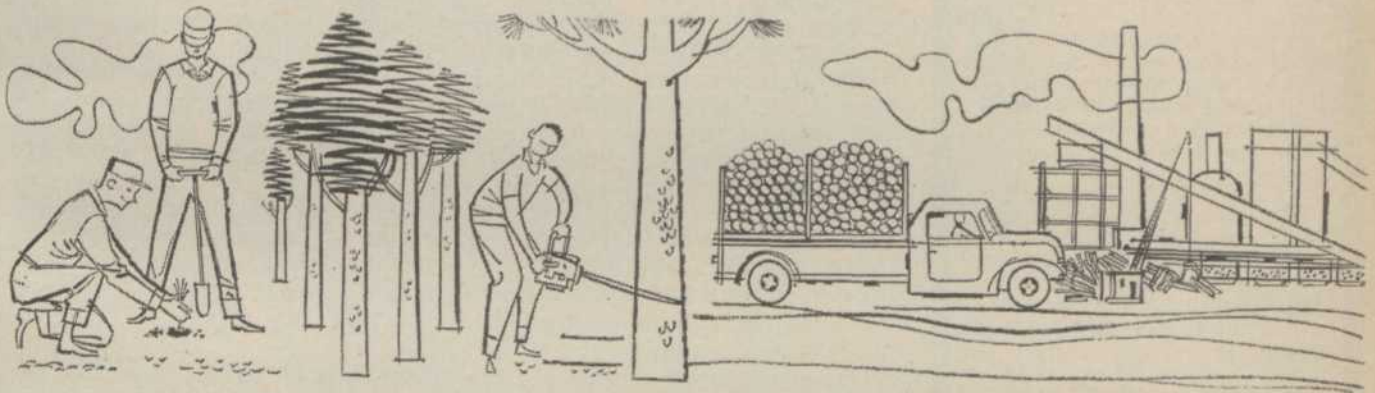
Emerson social scientist William Allen worked more than a year to bring about changes in the attitudes of management and union men in British Esso's Fawley refinery.

Mr. Allen "worked his way into" the councils of both the company and the unions, and spent many hours with members of both groups. That his mission was successful is demonstrated by the fact that understanding between both camps has improved, productivity has risen 140 per cent and take-home pay has been increased concurrent with a

SOUTH LEADS WORLD IN PULPWOOD PRODUCTION

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Alabama, Georgia, Florida, and Mississippi have 34 primary pulp and paper mills—with a replacement value of \$1,800,600,000. Annual payroll for these plants and collateral services amounts to \$212,186,000.*

This expanding pulpwood industry is but one record of technological triumph in the South. Its progress typifies the dynamic economy of this region, and the four states—Alabama, Georgia, Florida, and Mississippi—served by the operating companies in The Southern Company system.

Since 1952 The Southern Company affiliates—Alabama, Georgia, Gulf, and Mississippi Power Companies, and Southern Electric Generating Company—have spent \$1,325,000,000 for generating plants and transmission and distribution facilities. During the next three years they plan to invest an additional \$550,000,000 for further expansion.

It all adds up to *opportunity*; rich natural and human resources that can help *your* company grow!

In the period 1956 - 1961, the four-state area's rate of gain in practically every field led the nation as a whole. Here are some pertinent comparisons:**

	4-State Area	United States
Gross Personal Income.	38.6%	27.8%
Number Of Commercial & Industrial Firms.	12.0%	.5%
Manufacturing Employment	6.7%	3.7% (Decrease)

**Source: U. S. Departments of Commerce and Labor

*The last half of the twentieth century
belongs to the South!*

*Source: Southern Pulpwood Conservation Association
Latest available figures, 1960

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EXECUTIVE TRENDS

continued

decline in total hours worked. In addition, a number of archaic, wasteful work rules have been changed.

Mr. Fremont says that to make this kind of labor-management transformation effective it is necessary to replace old beliefs with new ones and to bring people to see the broad social necessity for change.

• • •

Are you hiring executive turnover?

Too many companies do, according to Donald E. Wright, a partner in the executive search firm of Antell, Wright & Nagel.

Mr. Wright plans a study of the reasons why executives leave positions in business and industry. He's especially interested in those who are hired, only to be separated after short tenure. His study will be completed in about three months.

"Business wastes millions of dollars each year hiring people by hunch," Mr. Wright says. He contends that too many firms scrap careful methods of evaluating and selecting new men and hire a man simply because of his club memberships, golf game or school background. Result: money down the drain—in the form of salary and fringe benefits, damaged company morale and prestige, and the costly mistakes an unqualified man can make while on a payroll.

To avoid hiring executives who will prove to be short-termers, Mr. Wright recommends a number of steps, including these preliminary ones:

Make sure, before reaching outside for a man, that you don't already have someone in your organization ready for the assignment; prepare a job description, clearly stating the qualifications for the job, then decide on a salary and other benefits sufficient to attract a well-qualified candidate.

• • •

You've probably heard criticism lately of psychological tests and counseling techniques employed by some companies in selecting and developing executive talent.

At least one recent book has given this kind of management advice a severe pummeling.

What effect has all this had on the advice-givers themselves?

Dr. Edwin S. Raub, partner in the consulting firm of Edward N. Hay & Associates, Philadelphia, says his organization has had to

double the size of its psychologist team to accommodate the demands of its clients.

Says Dr. Raub: "The abuse, often deserved, is partly the fault of those managers who demand a cheap, 15-minute true-false test that will tell them that a man is or is not a crackerjack salesman or whether or not he has the potential to be board chairman.

"No psychologist worth his salt would make an evaluation in those circumstances. But a psychologist, well trained, at home in industrial situations and made aware of the requirements of a position, can provide management with an invaluable decision-making tool."

Dr. Raub says most competent psychologists formerly relied on a well written job description—supplemented by discussion with those who knew the job—to make recommendations about managers' fitness for executive positions. Now, he says, the process has been advanced "a giant step" by having the psychologist evaluate the man against the evaluated job.

"In other words," he explains, "we measure the man against the carefully measured requirements of the job in terms of knowledge needed in the post, the nature of the problem-solving ability the job requires, the man's freedom to act in the position, and the dollar-sized area affected by the job."

• • •

Executives are making increasing use of the Business Service Center in the lobby of the Department of Commerce building in Washington.

The center was set up in November 1961 as an information clearing-house for businessmen trying to find their way through the maze of the nation's capital—and simply to answer questions from inquisitive inquirers.

Richard Queen, manager of the facility, says his staff handled about 18,000 in-person and telephoned inquiries last year.

Among the questions asked: "Are there cockroaches in New England?" (query from a businessman interested in setting up an insecticide plant). Answer: There are cockroaches in all parts of the United States.

Another caller wanted an estimate on the size of the market for human skeletons.

Of significance, Mr. Queen believes, is the fact that the center is getting more and more questions on foreign trade subjects—requests for

(continued on page 21)



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provide maximum security. To simplify and economize coverage. This thoroughness, experience and more than \$1,000,000,000 in assets have made INA a leading insurer of American businesses, large and small.

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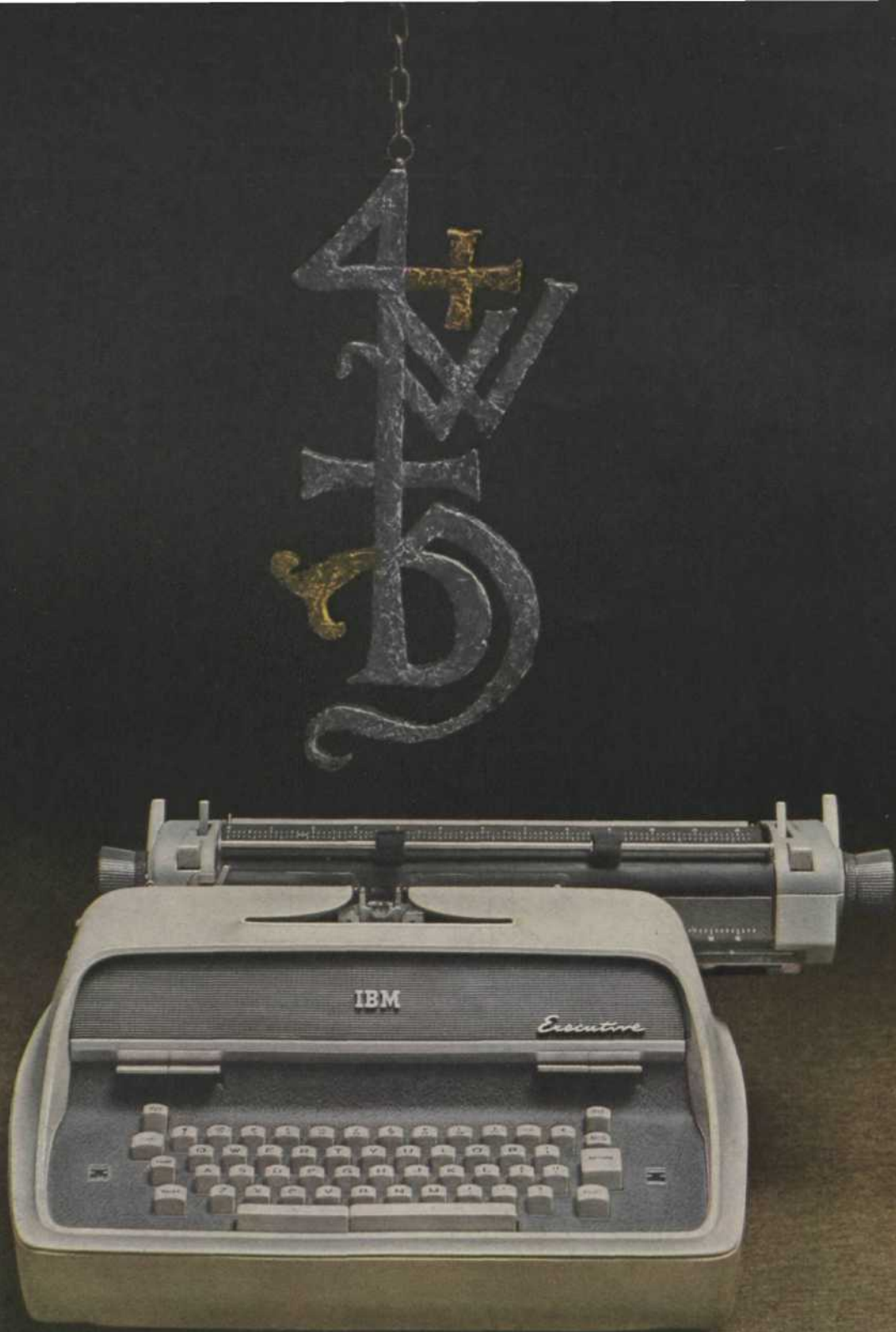
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EXECUTIVE TRENDS

continued

information on licensing and selling abroad, for example.

"We try to stay with a caller until he gets his answer," Mr. Queen explains.

Item: If you're coming to Washington you'll find temporary desk space available at the center—if you need it. In addition, a battery of people are on duty there to help you arrange anything from a hotel accommodation to an appointment with federal purchasing officials.

• • •

Want to get more mileage from your company's suggestion system?

An expert, Francis J. Polt, manager of the suggestion department of the Rochester, Minn., plant of IBM, says these steps will help:

1. Strong management support.
2. Speedy investigation of suggestions by management (and reply).
3. Effective promotion and publicity.
4. Fair and impartial evaluation.
5. Fitting the suggestion program into the over-all goals of your company.
6. A need for the program to begin with.

Mr. Polt, a current director of the National Association of Suggestion Systems, told NATION'S BUSINESS that savings from the many suggestion systems now in use in American business and industry run as high as \$400 million yearly.

What are some of the biggest mistakes made by companies using suggestion systems?

Among those listed by Mr. Polt are "lack of attention and support to the program" and "expecting too much from the program."

While some people in industry might regard suggestion systems as "old hat," Mr. Polt says, "a fully satisfactory substitute system has never been proposed." He notes that the use of the systems is growing rapidly abroad, particularly in West Germany. The advantages of a formal suggestion system, he points out, include not only savings, but improved communications with employees and morale-building recognition of employees for their useful ideas. In addition, a good suggestion program can give you a valuable, up-to-date "trouble report" on your plant and product.

Note: Largest single award for an idea in suggestion system history was \$62,576 which was paid two IBM employees.

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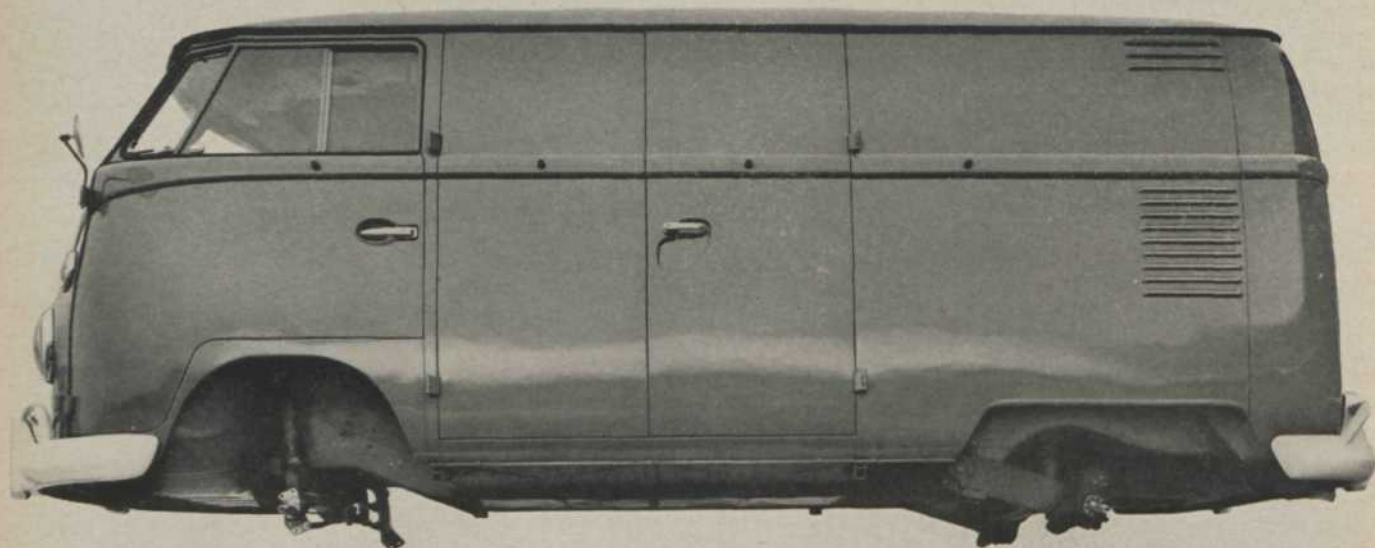


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Midterm tone: Softer at home, tougher abroad

BY MERRIMAN SMITH

ONE OF THE GREAT PROBLEMS of a President and his Administration as they pass the midway mark of a first term is how to get their work done—their truly necessary work at home and abroad—and still remain sufficiently popular politically to be re-elected for a second term.

This was particularly true in 1947 when the incumbent Harry S. Truman faced the hostile Republican Eightieth Congress, the growing and formidable candidacy of Thomas E. Dewey for the 1948 race, and a mass of tangled, difficult domestic and international problems.

Mr. Truman's strategy was to recommend an array of legislative proposals, then attack frontally when some of his pets were killed either in committee or on the floor. As history shows vividly, by using the Eightieth "do nothing" Congress as a punching bag the man from Independence surprised the experts and licked the confident Mr. Dewey.

Now that President Kennedy has outlined the bulk of his 1963 legislative program, he faces severe battles in the new Congress over such controversial items as tax reduction, health care for the aged financed through social security, federal aid to education, and what seems to be a perennial effort by any administration to cut down on federal funds used to subsidize certain farm products.

Mr. Kennedy, however, is much more limited than Mr. Truman was in 1948. The current chief executive cannot run up appreciable political points with a slam-bang attack on Congress for the simple reason that the House and Senate are under Democratic control.

He cannot successfully fight a seniority system which gives powerful committee chairmanships to representatives and senators who are dues-paid Democrats but something less than ecstatic about much of the New Frontier legislative program.

Well-meaning but not always politically practical friends of Mr. Kennedy occasionally suggest that he "do something" about the ancient seniority sys-

tem which, in effect, gives great power to lawmakers with long-lasting political acumen, durable plumbing and the hereditary blessing of longevity.

When so accosted, the President reacts, to borrow from Robert Frost, with more Boston than Harvard. He notes that there really isn't much point in a President whose national plurality was less than 100,000 votes suddenly declaring war on a congressman who carried his own district by a fat majority of three or four to one.

Friends say the President points frequently to the example of Chairman Howard Smith of the powerful House Rules Committee. If Mr. Kennedy attacks the venerable Judge Smith frontally, it is the President's opinion that in the chairman's home district in



WIDE WORLD, UPI

President Kennedy's foreign policy goal is to keep Khrushchev at bay without provoking him into war

Virginia, the chairman benefits. Representative Smith carries his district by a far greater margin than Mr. Kennedy could ever expect.

How does he then deal with a powerful man such as Chairman Smith who is opposed openly to much the Administration has to offer in legislative plans? For one thing, the President can bring pressure through other members of the House.

Chairman Wilbur Mills of the House Ways and

Merriman Smith is the White House reporter for United Press International.

TRENDS: WASHINGTON MOOD

Means Committee, where all tax legislation must originate, is another classic case in point, proof of Mr. Kennedy's theory that he must avoid tarring all opponents with the same brush.

In the last session, Representative Mills pushed through several bills in which the Administration was vitally interested. But the chairman fought Mr. Kennedy on health care and probably will take the same tack on this legislation in 1963. His over-all record considered, Representative Mills would not seem to be in any danger of attack by the President unless the chairman undertook to stop almost any legislation with an administration tag on it.

Naturally, Representatives Smith and Mills both are Democrats, albeit of different persuasion than most New Frontiersmen. The point here is that Mr. Kennedy must first try selling a deeply entrenched chairman, and if this fails, attempt to build up strength from the ranks of members of varying allegiance to White House proposals. This is a difficult, delicate and time-consuming chore for the President and his congressional liaison men. Politically, it amounts to the White House having to influence enemies and win friends.

On a great national issue involving the security of the country, Mr. Kennedy believes he can express his views in a way which can be dominant. But when he starts campaigning before the public on a purely domestic issue, the President, who has been hailed—particularly by his enemies—as a master of political public relations, feels that he is regarded largely as a party leader and his remarks thus weighted for certain political imbalances.

When he does cast an eye toward 1964, and the casting is more than occasional, the President attaches no significant optimism to the fact that recent opinion polls showed his popularity to be quite high. He thinks his popularity will ride something of a downward curve as the battles over domestic issues develop in this Congress.

Once Congress adjourns in the late summer, independent actions of Mr. Kennedy—a successful foreign tour or possibly dealing with a foreign crisis of the October Cuban voltage—could send his rating with the voters up again. Then will come another session of this Congress ahead of the 1964 nominating conventions and another decline in his popularity.

This anticipated undulation, according to those familiar with the President's thinking, should be regarded alongside results of the 1962 congressional and gubernatorial elections. Last November's outcome showed Mr. Kennedy that the country remained very closely divided. Therefore he anticipates a hard-fought national election next year and this with no clear idea on his part of who his Republican opponent will be.

From Mr. Kennedy's closest associates there naturally is a go-go spirit of derring-do about 1964;

bring on any Republican; we'll lick 'em all. But the chief executive is represented as feeling quite sincerely that he's in for a slam-bang fight.

While the President attempts to lead a narrowly divided nation and Congress down legislative paths of his own making, foreign affairs over the next 12 to 24 months pose an equally difficult task of salesmanship on his part.

He, Secretary of State Dean Rusk and other foreign policy experts of the Administration are committed to certain fairly rigid propositions which they feel are vital to a noncommunist world sufficiently strong to keep Khrushchev & Co. at bay. The President wants to contain the Russians and block expansionism without humbling the face-conscious East so soundly that the Reds lash back with irrational, nuclear anger.

This is the most delicate assignment. To carry it off successfully may at times seem to tarnish what Americans like to believe is unchallengeable superiority. The truth is that our superiority can be and has been challenged but Mr. Kennedy wants to avoid, with honor and strength, the senseless exchange of hell bombs.

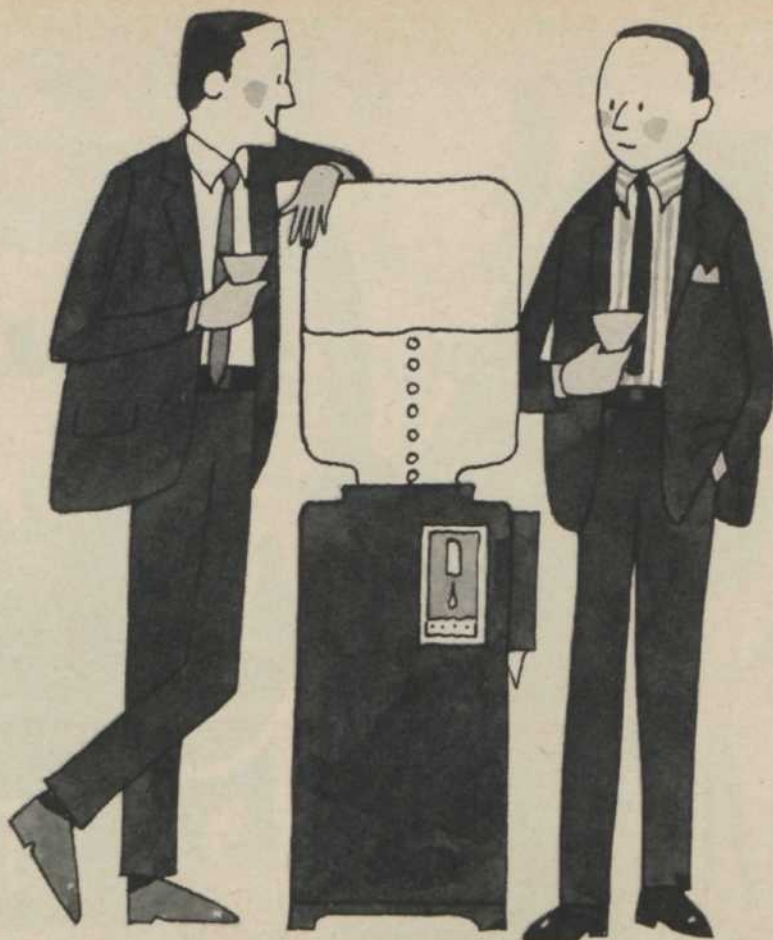
His ideas for building a stronger, more durable western alliance include British entry in the European Common Market and the ultimate merger of some American, British and French nuclear units into a cooperative force under NATO. This would be designed for two purposes: defense of the western allies, and discouragement of smaller European nations which, largely for national vanity, want their own nuclear deterrent power, no matter how small.

Assuming Britain ends up in the Common Market and the plan begins to function effectively, it will strengthen Europe economically and, in the end, militarily, too. This should take some of the load off our backs. But also, it will hurt American agricultural exports.

And selling Gen. Charles de Gaulle on any cooperative nuclear venture which does not give him what the experts refer to as trigger-finger control is bound to add to Franco-American friction before the sale is made—if it is.

Thus, it is understandable when the President tells his associates rather philosophically that to get ahead in the world, we must be prepared to accept perhaps a greater measure of national unpopularity than we have known recently. He feels that too often in the past we have tended to equate leadership with being liked and that, in truth, if a major policy is hard-headedly good, effective and equitable, there are bound to be major, but hopefully temporary, frictions between traditional friends.

For the immediate future, the President does not see this country as becoming more beloved abroad, but he does hope the accomplishments will be worth far more than fluctuating popularity. The same attitude may not apply so neatly to the domestic front. Assuming good health, General de Gaulle may argue with the President for years without reaching a decision, but the American voters settle their arguments with a chief executive every four years.



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Mr. A. S. Macalaster, President of Macalaster Scientific Corporation, at laboratory table with student Robert B. Meo, who is conducting an experiment with a tangential and chordal force measuring device at Marblehead High School, Marblehead, Mass.

How Macalaster Scientific Corporation with Heller Financing Helps Educate A New Generation of Scientists

In classrooms throughout the nation, young scientists are mastering modern physics principles with the aid of ingenious Macalaster Science Kits. These unique kits are designed to demonstrate inertial balance, electroscopes, centripetal force and other sophisticated scientific principles.

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Revolt against educational flapdoodle just beginning

BY FELIX MORLEY

AS THE SECOND HALF of the current academic year gets into full swing there are encouraging indications, throughout the nation, that the quality of secondary education is improving. Because parents are now generally alert to the need, this trend upward should continue, provided Congress is again successful in blocking the deadening intervention of centralized bureaucracy.

While evidence of educational regeneration comes from many sections, it is perhaps most pronounced in California which, the statisticians tell us, has now passed New York to become our most populous state. Its people, however, for the most part seem to realize that there is no substantial advantage in mere numerical superiority. At least there has been no lynching of the sardonic Californian who recently wrote that the Golden State "has the most of everything and the best of nothing."

It has certainly not had the best of secondary education, in spite of the renown of several justly famous universities and in spite of spending more per capita on schooling than almost any other state. That is because nowhere else has there been more emphasis on the "progressive" theory that the function of the schools is social rather than educational.

California has led—if that is the proper verb—in "life adjustment" gadgets; in concentrating on techniques rather than on subject matter; in making promotion automatic on the curious assumption that failure can be eliminated by denying its existence.

As a result, or so it is recounted by the Council for Basic Education, teachers in the less glorified state of Oklahoma have found it desirable to go into conclave on the subject of: "What to Do with the California Child."



Like many other conscientious teachers, the school superintendent of a small California town had been deeply dissatisfied with the sorry accomplishment of public education. So, after nationwide inquiry and drawing on his own intimate knowledge, Dr. Max Rafferty some months ago published a slashing indictment, entitled, "Suffer, Little Children."

As noted in this column last September, that book

minced no words. The product of our big-city high schools, said Dr. Rafferty, is all too often "the triumphant slob." He is "more dangerous to his classmates than a walking case of typhoid," yet even so is the natural consequence of educational theory in which self-indulgence is glorified and the value of disciplined work ignored.

The widespread acceptance of his hard-hitting criticism encouraged Dr. Rafferty to contest, in the November election, for the officially nonpartisan position of State Superintendent of Public Instruction, in California an elective office with a four-year term. He had no organized backing of any kind and no initial campaign fund, though small individual contributions soon poured in from all over the state.

Dr. Rafferty's opponent, on the other hand, had the formal support of Governor Brown, of the California Democratic Council, of the California Association of School Administrators, of the AFL-CIO and of many other organizations calling themselves forward-looking. Nevertheless, when the ballots were counted, Dr.

WIDE WORLD



Triumph of Dr. Max Rafferty, foe of educationists, is of nationwide import in debate over school needs

Rafferty had won by a margin of more than 250,000 votes. He is at work on the uphill task of re-introducing real education in California's public schools.

This outcome seemed so remarkable, in view of the general trend of the California voting, that I wrote

TRENDS: STATE OF THE NATION

Dr. Rafferty, whom I knew only through his book, asking why, in his opinion, he won so easily. His reply is thought-provoking:

"For one reason only. I alone stood up and said loudly and clearly that Progressive Education had led California children up a cul-de-sac, and that I opposed it with every ounce of fervor and strength which I possessed. This turned out to be enough. All the endorsements, all the organized pressure groups, all the money at my opponent's disposal amounted to very little, after all, compared with California parents' genuine distress over the fact that their children were just not learning the things which they felt to be important—learning to use the intellectual tools which the race, over the centuries, has found to be indispensable."

How much Dr. Rafferty will actually be able to accomplish, for the revival of learning in California, remains to be seen. But two points of nationwide import are already emphasized by his popular triumph. One is the now general awareness that lack of funds is not the cause of our educational deficiencies. The other point is the evidence that any state, when Washington keeps hands off, is amply competent to initiate the necessary reforms on its own.



Dr. Sterling M. McMurrin, who resigned last year as U. S. Commissioner of Education, was well aware that money is not the primary need of public education, and also that its improvement is basically a local responsibility. His statesmanlike attitude is certainly in part responsible for blunting the emotional drive for "federal aid" as a panacea.

Whether Dr. McMurrin's successor, and the new Secretary of Health, Education and Welfare, are equally farsighted will become clear as the President's legislative program for the new Congress shapes up. But, in any case, federal subsidization of bad instruction is not the only issue. As Dr. McMurrin has been pointing out, since returning to the University of Utah, the restoration of learning is also threatened by the well organized "educationists" who claim the right to determine what shall be taught in the schools, and how. In his words:

"While we guard against 'Federal' control, we should not lose sight of the possibility of 'National' control—control of education by the bureaucracies of large and powerful educational organizations. . . . There is no reason for believing that such control would be any more desirable than Federal control."

The power of the educationists is currently exhibited in their determination of what shall be taught at the junior colleges which, while not a new development, are currently proliferating in many states.

The basic idea of these two-year colleges is sound. They take the high school graduate who does not plan an immediate four-year college course and either replace the first half of this, or else give useful terminal training. A survey of junior college students shows that a large proportion have been out of high school for some years. They have learned for them-

selves that advancement nowadays requires more and better schooling than they have received and they return to the classroom eager to work seriously.

The difficulty is that at most junior colleges the curriculum is in practice set by the state universities, where standards have been geared down so that almost any high school graduate can enter automatically. Because of high school deficiencies, this level is too low for the more mature who are an important part of junior college clientele.

As one illustration, many junior colleges subordinate any training in economics to a catchall course which is pretentiously called sociology. The objective of this course, as described in the catalog of a Maryland junior college, is "to present a knowledge about society by attempting to review and describe, in detail, the structure of society."

How this can possibly be done without some prior training in economics is not made clear. But the admitted explanation is that at the state university a similar course in sociology is required, while one may get a degree there without any instruction whatsoever in even elementary economic thought.

If junior colleges are a desirable development, they should certainly endeavor to compensate for, rather than merely reflect, shortcomings discernible in the training offered by state universities and teachers' colleges. But these institutions are usually under the control of what Dr. McMurrin calls "the bureaucracies of large and powerful educational organizations." Their power is enhanced when they can also set the pattern for the feeder schools.

It is not enough, in other words, for outraged parents to stage an occasional revolt like that which has installed Dr. Rafferty as state superintendent in California. Nor is it enough to stall off "federal aid" which would be largely spent in strengthening the present grip of educational gadabouts. Equally important is a continuous community interest in what is being taught, and why, in the higher as well as the lower echelons of public instruction.

Because junior colleges are increasing rapidly, because their students are mostly eager and ambitious, because in many cases their courses of instruction are still fluid, there is great opportunity here for business and civic groups to bring their influence to bear.

Currently there is a movement to include courses on the shortcomings and evils of communism, even at high school level. It should be realized that such instruction can have no more than a shallow emotional content unless the pupil can in his own mind contrast the advantages and morality of free enterprise with the socialist alternative. At present all too few teachers, let alone pupils, are able to make this contrast intelligently.

The revolt against educational floundering, as illustrated currently in California and elsewhere, is all to the good. But that overdue turn in popular thinking is only the beginning of what is needed. It was public complacency which, more than any other single factor, contributed to the decay of American education. Complacency will continue to be dangerous until our college graduates, at the very least, are familiar with the political and economic thinking on which national prosperity developed, and depends.

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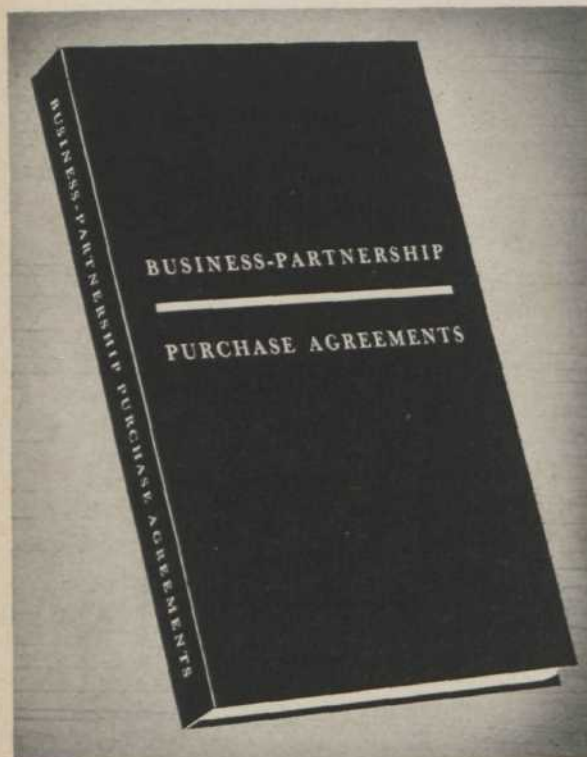
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GOVERNMENT PUTS GROWTH POLICIES ON TRIAL

U.S. seeks study of own activity that may contribute to lag in civilian technology

THE KENNEDY ADMINISTRATION suspects that policies and practices of government itself may be slowing economic growth.

White House and Commerce Department officials are backing measures to raise productivity throughout industry. They urge review of all forces that may inhibit the widest application of growth-producing technology.

These are the policies they'll center on:

- ▶ Taxation.
- ▶ Mergers and other antitrust problems.
- ▶ Patents and the operations of the Patent Office.
- ▶ Contracting and procurement policies throughout government.
- ▶ Diversion of scarce innovating skill to noneconomic activity.
- ▶ Rates and regulatory policies of administrative agencies.
- ▶ Standards and requirements in federally supported programs.

Administration aides contend that no one has taken a hard enough look at how these issues of vital concern to domestic business and the nation at large affect technological innovation in civilian industry.

The plan is to apply the latest analytic techniques to the civilian economy in an attempt to pinpoint bottlenecks, assess the need of various industries for special research programs, investigate financial, political and economic factors that may inhibit growth dependent upon technical innovation.

This effort will be first debated in hearings on the civilian technology program being promoted by Dr. J. Herbert Hollomon, assistant secretary of commerce for science and technology.

The Administration can expect controversy, with charges that big government is moving further into education and purely civilian research, and moving toward centralized economic planning.

But the debate to be generated will provide unusual opportunities for business to state its case and for the Kennedy Administration to demonstrate by deeds whether it has gained a sympathetic understanding of problems facing American industry.

Government officials interviewed by NATION'S BUSINESS cannot predict in detail the direction of policy, which will depend on talks with industry and in many cases require legislation.

But the breadth of their thinking indicates the scope of the inquiries the Administration hopes to undertake, especially when related to the concern of many outside government.

The question of taxes, already a critical area be-

GROWTH POLICIES ON TRIAL *continued*

cause of existing need for reduction and reform, should be reviewed with the particular goal of increasing incentive for innovation, says Michael Michaelis, executive secretary of the White House panel on civilian technology.

Although depreciation allowances for plant and equipment have been somewhat improved, he asks, could they be liberalized further? Or could more research expenditures be treated as operating expenses?

He notes that some authorities have suggested differential tax treatment for applied versus basic research, but says that it might be impossible to distinguish between the two from one firm to another.

Commerce Department officials mention deductions of 150 per cent for certain research expenditures, an approach adopted in Canada; other sources point out that West Germany gives preferential tax treatment to encourage economic exploitation of inventions.

In any event, says Mr. Michaelis, we should re-examine depreciation rates periodically with readiness to regard equipment as obsolete because newer technology is available.

How antitrust applies

Mergers would be examined from many standpoints. Larger corporate units in presently fragmented industries would benefit from more resources for innovation and the economies of mass production.

Touchier merger questions could involve such ventures as, say, an airline and a railroad collaborating in a radically new form of transportation. He cites the admittedly far-fetched example of a scientific proposal to move intercity travelers in high-speed vehicles through tubes.

Other antitrust problems could arise in the area of joint research, which the Commerce Department hopes to promote on the ground that none but the larger companies can afford to support the work of even one research and development specialist.

Despite the suspicion with which Chairman Paul Rand Dixon of the Federal Trade Commission tends to view joint research, one noted antitrust expert tells *NATION'S BUSINESS* that existing law should not prevent costly collaborative work even by dominant firms provided the knowledge were shared through licensing.

But John C. Green, head of the Commerce Department's Office of Technical Services, points out that economic exploitation of new technology could require concerted practices or corporate arrangements that could run afoul of antitrust law. Officials concede that any studies of antitrust would have to cover the psychological effect of enforcement.

Patent policies and their influences on industry's willingness to undertake high-risk, costly innovation

also should be examined, according to Robert Stern, an aide to Dr. Hollomon. This reflects concern that productive innovation has failed to match skyrocketing outlays for government research and development, of which the federal share is \$14.7 billion in the current fiscal year.

David L. Ladd, commissioner of patents, wants to probe questions like the economic effects of the three-year lag between patent applications and issuance as part of a campaign to streamline his agency.

Involved here is possible widespread duplication of research effort which would be eliminated with faster disclosure of invention as patents were issued and a consequently swifter upgrading of knowledge on which new research could be built.

Since one basic purpose of the patent system is to provide incentive for innovation through exclusive rights, Commissioner Ladd guardedly mentions exclusive licensing of more patents generated by government research as one of "certain areas which have aroused interest within the Administration."

Differences in government policies regarding patents are viewed by Mr. Michaelis as "roadblocks for companies going into government work." Nevertheless the National Aeronautics and Space Administration is encountering stiff opposition among congressional liberals to its policy proposal to allow industry to retain more patents developed under its auspices.

Another know-how question related to patents, others in government say, is the detrimental effect of contracting policies that require the fullest disclosure of techniques involved in contract work. This tends to make trade secrets public regardless of how developed.

One of the most crucial questions involved in contracting policies is tied in with the diversion of top technical talent for noncivilian work [see "What Space Race Will Do to You," October *NATION'S BUSINESS*].

Transfer of knowledge

Such mechanisms as the civilian applications program at NASA can only partly meet the need to transmit the benefits of government-sponsored research into the civilian economy, Mr. Michaelis says.

Some means must be devised, adds Dr. William J. Harris Jr., of the Battelle Memorial Institute, of having the same scarce, top experts—steeped in the latest technology developed under contract—also work in civilian industry, so they may become acquainted with its needs and problems, and apply their knowledge.

Dr. Harris says he had hoped that there would be more interchange of the latest information, especially among companies doing work for both government and the civilian economy, but has found the results



GEORGE TAMES

Michael Michaelis, consultant in the White House Office of Science and Technology, urges critical review of all forces influencing use of growth-producing innovation

disappointing. Mr. Michaelis agrees. He says there should be some way to take a man working, for example, with materials subjected to high temperature, and apply his knowledge to the question of fire safety in the building industry.

He suggests that there could be shifts of experts from government to civilian work within a company—which could lead to great diversification of the company's activities—or arrangement of furloughs to work outside.

As to how this could be worked out in practice, he does not pretend to have the answer.

This view suggests that such agencies as NASA could place less reliance in selecting contractors on the fact that a company would pledge to keep specific scientists on a given project full time and perhaps encourage wider use of such personnel on nondefense work.

More than one observer finds encouraging from a technical standpoint the Defense Department's attempt to shift from cost-plus-fixed-fee to cost-plus-incentive contracts in some weapon development, so that a firm's profits for a job could go as high as 15 per cent of estimated cost if justified by superior performance, promptness and economy—and if the company is allowed to keep it after renegotiation.

The added margin of profit—the average has run

much lower in the past for this type—hopefully could place additional funds at the outstanding contractor's disposal for costly civilian development work.

Civilian economic implications played no role in the Defense Department decision, according to G. C. Bannerman, deputy assistant secretary of defense for procurement.

This reflects the Pentagon attitude that it has enough of a job protecting the country without devoting major concern to the civilian economy.

Another area in which government can stimulate innovation is in its role as a major customer of non-defense industries.

Not limited by restrictive local regulations, and purchasing on a scale broad enough to justify special tooling up by industry, government could take the lead in product experimentation.

Mr. Michaelis points out that the Defense Department has recently launched such a program in housing.

Such agencies as the Federal Housing Administration could exert a major influence on local ordinances that often inhibit the introduction of new products.

Rate regulation by government agencies also should be reviewed,

(continued on page 88)

WHERE BUSINESSMEN

Mutual cooperation in many areas is

OFTEN OBSCURED by disagreements between the Kennedy Administration and business is the powerful support which businessmen are giving the Administration on numerous fronts.

These range from business cooperation in efforts to speed the flow of nuclear know-how from government to commercial channels to follow-through in the export expansion program.

In addition, it is sometimes forgotten that business executives by the hundreds serve on a large number of governmental advisory committees and study groups. Some—Defense Secretary Robert S. McNamara, former president of Ford Motor Company, is an outstanding example—go into government service, taking with them the knowledge developed in their business careers.

The climate of business-Administration relations is considerably less stormy now than it was early in 1962. Then the steel episode and the dive in the stock market roused both the ire and apprehensions of many business leaders. It is significant, however, that in the same turbulent year a majority of businessmen were allies of Mr. Kennedy in his successful fight for passage of the Trade Expansion Act, a measure which has given him a more flexible hand in foreign trade policy.

In 1963 support of, or cooperation with, the Administration will come in matters involving legislation, the execution of existing government programs, and in other ways.

Here's a preview of what to expect:

In Congress

One legislative area in which business thinking is close to that of the Kennedy Administration involves proposals for reducing the workweek from 40 to 35 hours, with no loss in pay and with double pay for hours worked in excess of 35.

The proposal is being pushed by the AFL-CIO, but neither the Administration nor organized business has gone along.

The AFL-CIO views its drive for a shorter workweek as one which would provide more jobs, but the Administration takes the position that shortening

the workweek is not the best way to achieve that goal. Business economists contend that a shorter workweek would force up labor costs, boost the prices consumers pay, reduce employment and place American industry at a disadvantage in meeting foreign competition.

In the transportation field the Administration is calling for various regulatory reforms. It has labeled these proposals as necessary to achieve improvement in the well-being of the common carriers and improvement in competitive equality among the different modes of transport. Several of these proposals undoubtedly will coincide with the views of business groups and business support therefore can be expected, at least in part.

On some legislative issues, the government itself is of divided opinion. In such cases it is not uncommon for business groups to align themselves with one agency or another.

President will get business backing in these areas

- 1. Opposition to union-inspired drive for a shorter workweek**

SUPPORT KENNEDY

Obscured by differences on economic issues

For example, last year the Federal Trade Commission and the Justice Department disagreed with the Commerce Department and the Census Bureau on whether the confidentiality of business-related census report file copies should be restored. The Census Bureau and Commerce Department felt it should be; FTC and the Justice Department disputed this view.

Business groups backed the Commerce-Census stand. As a result of initiative exercised by business representatives in Washington, Administration support was obtained and the legislation finally approved by the Eighty-seventh Congress restored the confidentiality which court decisions had apparently wiped out.

Companies in the aerospace-defense fields will be watching Congress for action on patent policy and indemnification. Here again are instances where there is compatibility between business and Administration

aims. It is anticipated that Mr. Kennedy will spur renewal of efforts to give National Aeronautics and Space Administration contractors the right to retain patents on inventions growing out of research and development work.

At present NASA, which along with the Defense Department spends some 80 per cent of federal research dollars, retains all rights to such patents, subject only to possible waiver. A bill to change this was stalled in Congress last year. If it is revived, business groups will fall in behind it.

Many businessmen also will support Administration-sponsored legislation to provide indemnification for defense contractors against unusually hazardous risks encountered in contract work for the government—to the extent protection is unavailable through private insurance. A measure of this kind could be especially beneficial to smaller firms engaged in subcontracting because of the possibility of third-party liability resulting from a rocket-firing disaster or similar accident.

If standby price control bills pop up in the Eighty-eighth Congress, businessmen are likely to ally themselves with the already stated Administration position that there is no need for such controls.

Among forthcoming congressional questions on which business and the Administration will be in at least broad accord are extension of the Draft Act, which expires June 30, and legislation to continue the foreign aid program.

The degree to which business organizations have given complete or qualified support to legislation favored by the Administration is often fogged over by what one business leader terms "the cliché of inevitable hostility." The proof of this observation can be seen in the fact that the largest business organization, the Chamber of Commerce of the United States, supported—in whole or part—some 17 Administration bills in the second session of the Eighty-seventh Congress.

In addition to the important Trade Expansion Act, Administration measures which won major business backing last year

(continued on page 62)

2. Call for patent protection for space-industry contractors
3. Continuation of the nation's foreign aid programs abroad
4. Extension of the Draft Act, scheduled to expire June 30
5. Strengthening the nationwide export expansion program

HELP THE MAN IN THE MIDDLE

ANY EXECUTIVE frequently finds himself the center of two opposing pulls. The good manager's awareness of this fact adds efficiency and direction to his action.

But even good managers often forget that almost every time they give an order they also put their subordinates in the middle. It can happen like this:

The personnel manager instructs the training director to begin a training program for supervisors which stresses human relations methods. The plant manager, who came up through the ranks, strongly opposes what he calls the "charm school" approach. The training director finds himself caught between the orders of his boss and the opposition of the man he must work with to carry them out.

The executive who takes this into consideration, first in hiring his subordinates and then in drawing up his orders, will operate more effectively. He will be able to allow for some slippage in how his orders are carried out, and he also will be able to give his orders in ways that reduce the possibilities of compromise or avoidance.

This situation technically is described as "role conflict."

It comes about for two reasons:

1. Managers tend to focus on and emphasize the needs of their departments at the expense of the company's over-all objectives.

2. The manager's loyalties are split among many groups: family, community, church, company and profession.

The supervisor feels an obligation toward his subordinates and yet is loyal to the image of top management. The director of research and development wants to be a part of his group and yet recognizes his responsibility to the organization. Such multiple loyalties create a conflict of values. The dilemma is further compounded when the top executive brings his own values into the picture. They



may differ from those of either the supervisor or his immediate boss.

Researchers studied participants in the Executive Development Program at Indiana University and members of the Indiana Chapter of the American Society for Training Directors.

It was found that the man-in-the-middle will make one of four choices:

1. He will take the desired action.

2. He will take some alternative action.

3. He will compromise.

4. He will avoid any action at all.

The problem is to determine in advance which of these courses he will follow.

Applying the theory resulting from the study, researchers were able to predict man-in-the-middle choices in 71 per cent of 86 cases studied.

The theory presents two major factors: Legitimacy, or rightness, and possible penalty.

In each case studied the research team first inquired:

"Do you think it is right and reasonable for the boss to expect you to carry out his order?"

"Do you think it is right and reasonable for your colleague or subordinate to expect you to grant his (opposing) claim?"

Second, the decision-maker was asked: "What penalties do you anticipate if you do what the boss wants and then fail to produce good results?"

"What will happen if you go ahead with your colleague or subordinate's wishes and fail?"

The task is to balance the decision-maker's feeling about the rightness of the order against his estimate of the penalties for failure. Where these two reinforce each other, the answer is fairly clear-cut.

The president instructed the training director to prepare a supervisory training program and administer it according to best known

practices. (He believes that these instructions call for a compulsory program on company time.) The plant superintendent, operating under a heavy production schedule, insists that the training program be voluntary and conducted off company time.

The training director might reason something like this:

1. The president's expectation is right and reasonable.

2. The superintendent's desires are unreasonable and improper.

3. Penalties for failing to produce a good program under the president's expectations would be slight.

4. Penalties for failing while following the superintendent's wishes would be high.

From these evaluations, it could be predicted that the man-in-the-middle would follow the president's wishes.

Yet in other instances, the decision-maker might feel that the president's claim is illegitimate even though it comes from a source of high potential penalty. He might feel that the superintendent's claim is right and reasonable but also carries a strong penalty for failure.

Given these judgments, would the training director compromise or follow the superintendent's demands? The answer lies, in part, in the mental make-up of the decision-maker. Does he weigh legitimacy heavier than penalty? If so, he would go along with the superintendent.

As we are continually reminded, an individual's personality is a strong element in determining the choices he will make. From study the researchers classified the personality of the decision-maker three ways:

1. He weighs possible punishment heavier than the rightness of the act.

2. He weighs the propriety of the act heavier than the associated penalties.

3. He weighs legitimacy and possible penalties equally.

Accordingly, some alternative courses of action are predictable. When either side has the ability to penalize him severely, he is as likely to avoid as to compromise.

Nonetheless, in high-pressure situations, some managers will take the action which they view as legitimate, without weighing the possibility of penalty. This action, which may lessen his internal conflict, is not necessarily the one dictated by his boss.

Since decision-making is an essential feature of management, resolving conflicts remains a basic task of the manager. Therefore, insight into these problems and knowledge of how to minimize them is valuable to the executive.

These suggestions will help.

1. A subordinate must be able to predict actions and decisions of his superior. If he can't, he will be required to stamp out fires continually and to act in a random fashion.

The subordinate often asks himself: "How would the chief handle this problem?" He wants his decisions to be approved by his boss. Thus, where the superior has some knowledge about man-in-the-middle problems, and acts accordingly, he can behave in a more consistent manner and make it easier for his subordinates to predict what he will do.

2. This means that the manager must increase his sensitivity to conflicts.

3. The executive must accept responsibility for such problems when he designs the organization structure, assigns personnel, and establishes performance standards. Managers have recognized the need for a consistent set of policies; but how often have they examined the compatibility among rules, various codes of behavior, and standards of performance?

4. Supervisors must recognize that different jobs involve different

types and amounts of stress and that people have varying abilities as well as tolerances in dealing with conflicts. For positions where conflict is critical to success, the superior might choose a man who is highly sensitive but has high tolerance for squeeze plays.

5. Much of supervision should relate directly to the task of helping subordinates assess the conflicting demands to which they are exposed. Often, for example, you can help your subordinate by telling him: "Jim has no right to expect you to do that," or "Go ahead and do it; Jim won't do anything but let off a little steam." Notice how you can help evaluate both the legitimacy of Jim's stand and the severity of the penalty that Jim could bring to bear.

6. The supervisor can warn his subordinate of the possibility of conflict. When the subordinate is aware of possible conflict, he can prune his strategy and gather information to meet the situation in the most intelligent fashion. Without this warning, he can be caught off guard and take only ineffective or completely defensive action.

7. Finally, loyal subordinates will tend to side with their superior. Accordingly, the supervisor must assess his instructions in relation to other claims placed upon his subordinate. For sensitive problem areas, the supervisor must be careful not to impose additional—perhaps personal—values which will create undesirable conflict for his subordinates.

END

THE AUTHORS, Drs. Fremont A. Shull and Delbert C. Miller, both of Indiana University, based this article on research into "role-conflicts" in decision-making. They interviewed executives under a research grant from the American Management Association. A new study by Drs. Shull and Miller will explore the influence associates have on an executive's decision-making.



FPC members, headed by Joseph Swidler, are all Kennedy appointees



SEC, under Chairman William L. Cary, plans strict market regulation



CAB Chief Alan Boyd is deeply involved in airline merger questions

REGULATORS PINPOINT NEW TARGETS

Agencies that rule over business are tooling up for broader powers

WHILE THE SPOTLIGHT plays on the Kennedy Administration's determined efforts to win broad new grants of power from Congress, another vital part of the federal government is quietly and steadily expanding its control over the business community.

This part consists of the federal regulatory agencies, those quasi-judicial commissions and boards with wide jurisdiction over the actions and practices of American industry. Theoretically the creatures of Congress, these agencies—the Securities and Exchange Commission, Interstate Commerce Commission, Federal Trade Commission, Federal Power Commission, Civil Aeronautics Board and the Federal Communications Commission—actually reflect the philosophy and goals of the men who run them.

As Kennedy appointees gradually gain majorities, the agencies more and more reflect the aims of the New Frontier.

The trend is not uniform in all the agencies. The SEC and FCC are aggressively reaching for new powers; the ICC, on the other hand, seems inclined to follow a course that gives industry a fair degree of freedom. The FTC, many observers say, talks bigger than it acts. Observers feel that the FPC record is a mixture—some moves that help business, more that are ominous. But the agencies share two trends: A general step-up in activities and an expansion in regulatory staff.

"This expansion of the power of most regulatory agencies is not unique in the Kennedy Administration," one observer declares. "It's a continuation of a steady trend. There are ups and downs, but the over-all trend is up—each new advance is from a higher plateau. Certainly, however, the Kennedy commissions are pushing to new heights."

The New Frontier has almost completely taken over some of the agencies. All five FPC commissioners have been appointed by Mr. Kennedy, as have four of the five SEC members and four of the five on FTC. On the other hand he has named only three members to the seven-man FCC, two to the 11-man ICC, plus one reappointment, and only one to the five-man CAB—though on the latter he named one of the existing Democratic members as chairman.

So far there have been few charges that the White House is actively and directly running the agencies, attempting to call the shots on individual cases and policies. But there is little doubt that the Administration is seeking congenial spirits on whom to confer its appointments, and that new board and commission members generally seem to know what's expected of them.

Role of White House

By law, the agencies are bipartisan; usually no more than a bare

majority can be from one party. But the party in the White House, be it Democratic or Republican, usually manages to find independents or members of the opposition sympathetic to its approach.

The regulatory powers of these agencies are sweeping in scope. Appeals to the courts against their verdicts are occasionally successful, but they are costly and time-consuming and generally taken only when there is a strong chance of victory. Appeal to Congress is even more time-consuming, and Congress tends to be reluctant to step into a regulatory argument without major cause.

Thus the activities of the agencies are frequently of as much importance to business as highly publicized legislation. An FCC ruling may be of greater moment to a broadcaster than a minimum wage bill, an FTC complaint of more immediate impact to an industry than health care for the aged, a CAB denial of an airline merger application of wider dollars-and-cents import for the lines involved than a tax-cut bill.

Each industry will have its own opinion as to which agency is most aggressively using its powers. Here's a look at how they are functioning now, and what to expect in the future:

► The Federal Trade Commission has aroused business fears not so much by its actions as by startling speeches by commissioners and threatened new techniques. For example, where the commission formerly carried on investigative hearings behind closed doors, it has recently tried unsuccessfully to use open hearings to focus publicity on a situation even though formal charges may never be brought.

Chairman Paul Rand Dixon, former counsel of Sen. Estes Kefauver's antimonopoly subcommittee, has raised questions about possible abuse of joint ventures, where two firms pool efforts on research, the development of new products, expansion into new fields. The commission has indicated it is considering forcing many thousands of companies to file far more comprehensive annual reports, and it has promised to issue industry-wide rules against unfair or deceptive practices. Violation would auto-

matically subject businessmen to FTC charges.

Some of FTC's changes and plans are billed as an aid to business. For example, it has said it would give businessmen clear and binding advance rulings of the legality of proposed mergers, advertising campaigns and other promotional plans. Chairman Dixon says this will give business a far better picture of what it can and cannot do.

But one commissioner, Philip Elman, warns that the procedure is "administratively unrealistic and impracticable." He argues that the Commission doesn't have the personnel to supply advance opinions "sufficiently explicit and unqualified so that a prudent businessman could safely rely on them."

A top industry lawyer expresses the opinion that "no businessman would take a proposal to the commission unless he knew it was okay. Otherwise, he would merely be alerting the agency to a potential violation."

Business fearful

Some FTC rulings have aroused business fears. One was a decision by a four-man majority which held that a gasoline company must provide the same price reductions to all dealers in an entire marketing area during a price war. Mr. Elman commented that this policy, followed through to its logical conclusion, would result in "the enlargement of a local brush fire into a nuclear price war," with far more harmful impact on competition generally.

Two other recent actions have also increased concern.

One was an FTC complaint charging the Borden Company with price discrimination on the ground that it charged more for Borden label evaporated milk than for milk of like quality and grade sold under private labels.

Some experts fear that this charge, if upheld, will disrupt the entire system of private label merchandising by thousands of retailers, mail order houses and other outlets of everything from food to appliances.

The other action involves the good faith defense against price discrimination charges. The FTC

(continued on page 44)



FCC, under Chairman Newton Minow, tightens grip on broadcasting



FTC talks—and may act—tougher, Chairman Paul Rand Dixon warns



ICC has changed little. Chairman L. K. Walrath is Eisenhower appointee

How to measure maturity

Psychologist pinpoints 10 qualities frequently found in the executive who has gained success

ON THE JOB and off, maturity has become a glittering seal of approval, stamp of having what it takes.

There is general agreement that without maturity a man is unlikely to make the most constructive use of his capacities. But just what maturity is and how long it takes to acquire it is another matter. Here there is less agreement.

Many people equate maturity with mental ability. Maturity is not a matter of intelligence. You might hire a man who knows the *Encyclopaedia Britannica* by heart and find that he is still infantile emotionally. If he cannot control his feelings, frustrations and hostilities, he can hardly be called mature. Nor will he make a really effective executive, building a sound executive team.

Another common assumption is that maturity means happiness. Freud once said that he considered himself successful if he changed a patient's neurosis to "common unhappiness." Emotional maturity does not guarantee freedom from worry and difficulty. On the contrary, it is demonstrated by the way conflicts are solved, by the ability to cope with problems. The mature executive is not always a bubbling bundle of optimism. He will be appropriately worried at times. But he will not be crushed and defeated by worry; he will respond to it as a challenge.

A third common misconception is that maturity is a specific point in the curve of development, similar to the pot of gold at the end of the rainbow. Actually, maturity is not a static state of being. It is more a state of becoming. This helps to explain why a man may handle one situation with maturity and become childishly emotional in another situation.

No executive is capable of reacting to all situations and all aspects of his life with complete maturity 100 per cent of the time.

However, many executives do handle most of their problems maturely. The qualities usually found in the mature can, therefore, be pin-

CHECK LIST FOR MATURE EXECUTIVES

Maturity is a process of becoming. To get some idea of your own maturity you must look for signs of

1. Do you willingly accept responsibility for your subordinates' mistakes?

YES____NO____

3. Do you patiently listen to people with whom you disagree?

YES____NO____

5. Do you manage at least one yearly two-week vacation away from business?

YES____NO____

7. Do you take unpopular stands on issues in which you believe?

YES____NO____

9. Do you voluntarily accept new challenges or responsibilities?

YES____NO____

growth. Read the questions below and put a check beside the ones you can honestly answer "Yes." Remember there are no scores, no right and wrong answers. However, if this check list can help you see yourself objectively, you are on the way to that important first step: self-acceptance.

2. Do you cheerfully share credit with colleagues who help you?

YES____NO____

4. Do you re-examine assumptions you have always taken for granted?

YES____NO____

6. Do you accept unfavorable feed-back about yourself?

YES____NO____

8. Do you feel confident that you can handle your problems?

YES____NO____

10. Do people seek you out for advice and assistance?

YES____NO____

pointed. No single individual is likely to have all of them—but all are worth striving for.

He accepts himself

The most effective executives are those who have a fairly good view of their strengths and weaknesses. In fact, this may be an essential to executive success, because only the mature executive will look for people to compensate for his own deficiencies. Since he can view himself objectively and realistically, he is able to make the most of his own endowments and is free from the frustration of trying to be what he is not.

Many executives spend hours around a conference table trying to impress each other rather than trying to find a solution for the problem at hand. Commenting on such a meeting, the president of one company says:

"I don't waste my energy trying to impress others with my intellect or my background. I know that neither is my particular stock in trade. But I do get a kick out of impressing them with the size of my balance sheet, which I hope can choke a horse."

Most people find it easier to admit their strengths than to concede their weaknesses. The mature man recognizes that he has deficiencies.

People who know themselves with true, mature self-knowledge accept the positive and the negative. But on balance they believe in themselves because they know what they can be counted upon to accomplish.

Essential to this acceptance is the recognition that the mature executive is constantly struggling to become better in order to fulfill his unique potential. He does not desire to emulate others but to fulfill himself.

Dr. Abraham Maslow, who has spent many years of research on the elements of the healthy personality, points out, "The mature person wants to be the best he can be. In this area he has no competitors."

He respects others

An executive must function within the framework of other people's strengths, weaknesses, abilities and deficiencies. If he is mature, he respects these differences and doesn't try to mold others in his own image. He accepts the fact that each man adds his own qualities to the final mixture.

This does not mean the mature executive is soft-hearted. Accepting others does not mean rocking them forever if their shortcomings interfere with the over-all goal. The executive who is mature can fire a man who does not contribute to the good of the organization. It is unfair both to the company and to the man (continued on page 48)

DR. MORTIMER R. FEINBERG, the author, is associate professor of psychology at City College of New York's Baruch School of Business and Public Administration. This article is adapted from a forthcoming book, "Psychology for Administrators," edited by T. W. Costello and S. S. Zalkind.

A LOOK AHEAD by the staff of the

Farmers vote without facts

(Agriculture)

Trade Act change coming

(Foreign trade)

Wilderness battle resumes

(National resources)

National debt piles up



AGRICULTURE

The nation's wheat producers face an important decision this spring without knowing all its consequences. They must decide by referendum whether to approve the mandatory wheat control program authorized by Congress last year.

If they reject the plan the support price will drop to 50 per cent of parity for those who stay within their acreage allotments.

But no one knows how much actually will be produced under these circumstances, or what the market prices will be. Secretary of Agriculture Orville L. Freeman says there will be chaos in agriculture if producers reject the new program.

The American Farm Bureau Federation counters that this is highly unlikely inasmuch as the 50 per cent level is \$1.21 per bushel.

Another unknown is what Congress will be inclined to do if the referendum fails.

Producers will know before they vote what price, quota and allotment levels they can expect for the 1964 crop year. But they won't know what the secretary will decide in 1965 and later under his discretionary authority.

CONSTRUCTION

Look for renewed pressures to set up a cabinet-level federal Department of Urban Affairs.

Advocates of this further step toward government power centrali-

zation are not likely to be stopped by thumping defeats suffered in both the Senate and House at the last session. Rather, they could claim gains since, after nearly a decade in bill form, the proposal led to floor action (although adverse) in both houses.

Proponents of strong local and state government point out that areas with a record of turning to Washington have been more the central cities with static or declining populations, rather than communities experiencing big growth.

They also point out that the proposal would set up a direct line of communication from the center of federal government to the local mayors' offices—shifting city control to Washington and diminishing state and other local authority.

Current opinion: The proposal will be defeated.

CREDIT & FINANCE

Congressman Wright D. Patman, new chairman of the House Banking and Currency Committee, has begun the year by adding a new element to the legislative outlook for financial institutions.

Representative Patman has presented a report on what he terms "chain banking" to the House Small Business Committee, urging further investigation. The study analyzes stockholder links among the 200 largest banks and includes the role played in banking by large insurance companies and savings banks.

The report asks whether ownership of banks by life insurance companies and savings banks eliminates or lessens competition between these industries and commercial banks.

Based on information supplied by the Federal Reserve System at Congressman Patman's request, this report is sure to explode into new legislative proposals and hearings.

FOREIGN TRADE

Early legislation may be expected to amend the Trade Expansion Act's provision for eventual elimination of duties on goods in which the United States and countries of the European Economic Community together account for 80 per cent or more of world exports.

Applied to the present membership of the EEC, "aircraft" is the only category eligible for such negotiation. If Britain were included, the eligible list would jump to 23 categories. The list would be even longer if the other six "outer seven" countries were included.

The contemplated change would broaden the area for computing the dominant supplier categories to bring about mutually beneficial reductions in tariffs. The ultimate objective is to expand the European market for United States exports.

GOVERNMENT SPENDING

This session of Congress will be squarely confronted with the federal spending issue earlier than

Chamber of Commerce of the United States

most other sessions. Because of the unique sliding scale debt ceiling legislation enacted last session, the debt ceiling will drop from \$308 billion to \$305 billion on April 1, unless Congress takes action.

As the debt now stands, it will be impossible for the Administration to live within a debt ceiling of \$305 billion and it must ask Congress for an increase. Raising the ceiling is always an unpopular exercise and the necessity to do so is likely to cause trouble for major spending bills, particularly in the House.

MARKETING

The problem of making marketing decisions that are safe in the eyes of the Federal Trade Commission will be magnified considerably if Congress gives the Commission its sought-after authority to issue temporary cease and desist orders.

This would empower FTC to force a company to stop a competitive tactic when FTC believes the practice is unlawful—and before illegality is established in the courts.

In practice, a company could suffer severe competitive injury by being deprived "temporarily" of, say, a pricing policy which, months or years later, is judged lawful after all.

Objective of this proposed authority is to speed up FTC crack-down on unfair practices—but the method sacrifices due process of law. The proposal did not succeed last year, but it picked up the support of President Kennedy.

LABOR

Government policy-makers express increasing concern over the gap between foreign and American wages. The argument is that lower wage scales abroad price American products out of the world market and contribute to high unemployment in this country.

Although union efforts to include international fair labor standard provisions in the new trade law failed, government trade negotiators can be expected to concentrate on tariff bargaining as a means of narrowing current wage gaps. U. S. government strategy in upcoming

bargaining sessions will be to refrain from granting tariff concessions in countries paying lower wages than the U. S. The Labor Department plays a key role in computing wage statistics and advising Administration negotiators on the existence of substandard labor conditions abroad.

Greater government influence will also be felt at bargaining tables abroad. The Labor Department will step up its advisory role of providing technical assistance and statistical data on comparative national wage data to foreign governments and international unions for use in contract negotiations abroad.

TAXATION

Members of Congress are beginning to consider various tax rate reduction plans.

Two items that have escaped much publicity but which will surely come under discussion are of vital importance to many taxpayers. The first has to do with estate tax. Pressure is building to force the taxation of capital gains at death. This would mean that assets which have appreciated over the years would be taxed at capital gains rates when, upon the death of the owner, they passed to his heirs. This could prove harmful to family-size enterprises.

Also, efforts are under way to deny more than one corporate surtax exemption to an integrated business enterprise set up on a multiple corporation basis. Battles have been fought over this question in the past. Another is coming.

NATURAL RESOURCES

Industries using natural resources on federal lands will again be fighting the "Battle of the Wilderness" in the new Congress.

So-called conservationists have been promoting legislation to give statutory recognition and permanent protection from resource use to the rugged wilderness areas in the nation's forests, national parks and monuments, and wildlife and game refuges.

In the Eighty-seventh Congress, the Senate passed a bill which

would, among other things, have included the unclassified primitive areas and given the Secretary of the Interior 10 years to designate additional wilderness areas, unless either house of Congress objected.

The House Interior Committee, however, gave statutory recognition only to Forest Service areas already classified as wilderness. It would have required a specific act of Congress for future inclusion of other areas. The bill also would have required specific congressional approval of all withdrawals of 5,000 acres or more, not just military withdrawals as now required by law. The bill did not reach the floor of the House.

Rep. Wayne N. Aspinall of Colorado, chairman of the House Interior Committee, says Congress must decide whether it or the executive agencies are to determine federal land-management policies. His committee, he says, will not consider the wilderness bill until the whole withdrawal policy is settled.

TRANSPORTATION

The Eighty-eighth Congress may be the birthplace of an altogether new federal program. If approved, it would open the Treasury to local transit operators. The character of the program is such that it would be almost impossible to discontinue once started and its cost could rival that of the farm program.

The heart of the plan, supported by the Administration, is the initial authorization of \$500 million as direct grants. To qualify, local authorities must show they have developed a continuing, comprehensive transportation plan—the capital improvements of which cannot be financed entirely through fare box and local resources.

The federal government would then provide two thirds of the net project cost—meaning that amount which cannot reasonably be financed from revenues.

Outlook for approval is uncertain since strong opposition in the past Congress successfully derailed the program. Opponents charge that the program is designed largely for a few big cities and that otherwise the need is quite limited.

contends that selective price cuts are defensible only if made to retain customers, not to get new customers. It has one court ruling on its side. But when another court recently ruled the other way, FTC refused to appeal the case to the Supreme Court for a clearcut decision. Instead, it indicated it would stick by its old position.

Some industry attorneys say that the Commission's bark is worse than its bite. Despite Mr. Dixon's past connections and his speeches threatening a tough antitrust line, after 20 months only one new merger case had been brought under the Kennedy commission and no major new investigations had been launched.

Sharp young lawyers attracted to the Commission by Chairman Earl Kintner during the Eisenhower Administration have left and others are preparing to leave.

Frequently commission attempts to head out in new directions are so poorly conceived or executed that the courts quickly step in and check the agency. One plan to use public investigative hearings was stopped by the courts on the ground that the companies under investigation were not permitted effective representation.

► Although the Federal Communi-

cations Commission has only a minority of New Frontier appointees, it has managed to range far and wide across the broadcast prairies under the direction of its tough Kennedy-named chairman, Newton Minow. Ever since Mr. Minow's first attack on the "vast wasteland" of television programming in early 1961, the Commission—despite its disavowals and denials—has been pushing ever more deeply into program content and other managerial activities of broadcasters.

The Minow men claim they have no intention of invading the programming functions of the broadcaster, but at the same time in many ways they try to push the broadcasters into scheduling programs that meet the chairman's concept of public interest.

Pressure from FCC

When license renewal time comes around, FCC staff members send out questionnaires asking detailed data from stations. They want to know how much time—and how much of it prime time—is devoted to shows discussing controversial local issues, to good children's entertainment and to other types of program the Commission considers desirable. Most stations get the message and begin to devote more time to these types of shows.

"It's a real have-you-stopped-beating-your-wife type of proceed-

ing," one industry attorney comments.

Mr. Minow wants to revoke more radio and TV station licenses for failure to live up to programming promises. Some stations are getting license renewals for less than the usual three years—in effect, going on probation.

The Commission wants authority to control the television networks just as it now controls individual stations. A staff study group that has been at work since 1955 has also proposed a federally sponsored system of self-regulation for broadcasters under which they'd be required to belong to a government-approved, government-supervised trade association. The association, with FCC policing, would formulate codes for the industry. Expulsion from the association would cost the broadcaster his license.

Mr. Minow has repeatedly warned that the FCC may limit the number and length of broadcast commercials if the industry doesn't regulate itself. The Commission has repeatedly made noises about requiring uniform accounting systems by all broadcasters, and staff members are beginning to propose more detailed broadcast financial reports so that salary schedules can be studied.

► At the Securities and Exchange Commission, 52-year-old law professor William L. Cary, the New Frontier chairman, is bringing drive and ambition to the staff just as Mr. Minow is at FCC. A congressionally directed study of the stock market, on which a report is due in April, coincided with the determination of the Commission itself to look more closely into the practices of the stock exchanges, securities dealers and others in the business it regulates.

A new toughness has been demonstrated in private investigations, public hearings, reports, speeches and in other ways.

The Commission's enforcement staff has been beefed up and put under new leadership and, as a result, is more aggressive than it has been in years.

One of the first acts of the new Commission was a report extremely critical of the American Stock Exchange, the nation's second largest. The attack pushed the Exchange into a major overhaul.

Now the Commission has begun a closed-door investigation of the New York Stock Exchange and is taking extensive testimony. A smaller-scale study of the San Francisco Mining Exchange brought 42 charges of lax policing of members

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
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PRODUCTS OF  MOTOR COMPANY



REGULATORS

continued

and issues, and similar matters. The Commission has required mutual funds to file far more detailed annual reports than heretofore required, and has ordered certain investment companies to keep more detailed records for commission inspection. There seems little doubt that new regulations will be coming on the qualifications and conduct of securities salesmen, and the Commission is almost certain to recommend either new rules or legislation for tighter control of the over-the-counter market.

► The Federal Power Commission, under New Frontiersman Joseph Swidler, a former TVA staff man, is taking some steps that are getting industry cheers. But it is also taking some that are stirring deep fears among gas pipeline companies, gas producers and electric companies.

On the one hand the Commission has gone to work to find short cuts to reduce its huge backlog of rate increase applications—a backlog that has been widely cited as an example of bureaucracy at its worst. Also, the Commission seems to be putting more emphasis, in disputed rate cases, on encouraging the parties to get together and work out their own settlement, rather than letting the case go to an FPC decision.

But there is no doubt that many of the short cuts put the FPC deeper into the business it is supposed to regulate.

"In many cases the Commission is virtually forcing a settlement," one industry observer declares. "Companies may begin to wonder whether loss of freedom isn't too high a price for speed and certainty."

Another says flatly: "Almost every action the FPC takes these days gets it deeper into managerial decisions."

For example, the Commission is now working on area pricing for gas producers. Many producers and pipelines like this idea, which began in the latter days of the Eisenhower Administration. But industry may find itself unhappy about the way the new Commission applies the policy; some officials have already protested that suggested boundaries between areas don't make sense and that different prices are being set for adjoining wells. Also, they say that under the old Commission there was considerable flexibility, permitting exceptions to the price ceilings, but

now this flexibility seems to be gone.

The Commission has refused to allow integrated gas companies a higher rate of return on producing properties than on pipeline properties, even though the companies argue that the former is far riskier business. It has thrown out contracts between independent producers and pipelines providing indefinite price escalation clauses, those that say that all producers in an area will be paid higher prices if one gets a higher price. The Commission may seek power to require pipelines to serve certain areas and to interconnect. Some staff members discuss using new faster depreciation schedules in rate-fixing cases, even though the companies themselves use a slower depreciation.

The Commission has steadily enlarged the number of hydroelectric companies and hydro projects that must get federal licenses. There is a program to bring under FPC licensing projects not previously covered because they were built before the act was passed or because the streams they use were never ruled navigable. Also, the commission is pushing hard for the interconnection of hydroelectric companies and at the same time has warned them that it will look much more closely at sales of power for resale.

Speeches by commission members often are, in effect, invitations to cooperatives and municipalities to come to the FPC with any complaints they might have against private power companies.

One industry attorney summed up his feelings this way: "This is Mr. Swidler's Commission, and Mr. Swidler is smart, ruthless and consumer-oriented."

► The Civil Aeronautics Board, which is concerned with the airline business, was faced by a tremendous backlog of incompleting cases when Alan Boyd, who had been a Democratic board member, took over as chairman under the Kennedy Administration.

Now, thanks to a reorganization of the Board's management and the delegation to the staff of many functions formerly performed by the Board, that case load has been whittled down.

The Board is deeply involved in the airline business and apparently will become more deeply involved. For example, a long-range planning division has been established which directs such projects as a study of how much new business promotional fares—family travel



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plans and the like—have actually brought the airlines and research on just how much freight carrying actually costs.

Another new division is concerned with airline rates, over which the Board has complete authority. This division is especially concerned with freight rates and how they can be made competitive with surface transportation.

The Board avowedly is concerned with the health of the airlines, and it is clear that it feels that this concern calls for deep involvement. Carriers are urged to try experiments in rate-cutting in order to bring in more business, and the Board has adopted a flexible policy on promotional rates. On the other hand, it takes a tough line on any general fare increases.

In a move to get closer to the problems of the airlines, Chairman Boyd has held meetings with airline presidents at which matters of mutual concern can be discussed.

The question of airline mergers is one in which the Board is deeply involved, but its policy seems to be somewhat murky. One official says: "We're for mergers—if they are good mergers." The question, of course, is which mergers are good.

Chairman Boyd has practically invited merger applications from the 11 major domestic airlines. In 1961 he even went so far as to say that if the carriers didn't act soon, the board should institute studies on its own to develop detailed criteria for mergers and even to specify which mergers would be in the public interest.

Yet recently when a merger application—between American and Eastern—was submitted, a staff examiner recommended that it be denied.

► The Interstate Commerce Commission, which regulates surface transportation industries, seems to show the least imprint of the New Frontier. Even at ICC, however, there has been a general speed-up in activity and a reduction of the backlog of cases on hand.

Under a reorganization begun during the Eisenhower Administration, 13 new employee boards have taken over work previously done by the commissioners and an 11 per cent faster handling of cases has resulted. Also, a policy committee of three commission members has been established to make long-range plans and policy recommendations. Another sign of revitalization has been the installation of computer equipment to reduce the man-hours required in handling cases.

—CHARLES B. SEIB

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who is failing not to terminate the association.

"Each should be free to find a better mate," is the way one executive expresses it. Or, as another puts it, "A man must appreciate under my guidance; if he depreciates, then it's unfair to keep the relationship going."

Perhaps the most frequent evidence of respect for others is the mature man's unwillingness to manipulate people. Office politics is a game he has no patience with.

Raymond T. Hickok, president of the Hickok Manufacturing Company, says, "I will always be allergic to the subordinate who drives wedges between people. I believe that good executives should be building bridges."

He accepts responsibility

The immature cry out against their fate. Their failures are caused by someone else, luck is against them, the odds are never on their side. The mature man recognizes and accepts the responsibilities and restrictions of situations in which he finds himself.

He recognizes, for example, that people need strength and someone to lean upon in times of difficulty and that the responsibility for communicating that strength is his alone.

Marshall E. Rinker, Sr., of Palm Beach, Fla., president of Rinker Materials Corporation, summed up this point neatly on a fishing trip:

"See that school of fish out there? Every one of them swimming along nicely, content to stay together because their leader is strong. But if one of those fish should ever get wounded, all of the other contented little fish would be trying to get a piece of the wounded fish."

"It isn't really much different in business," he continued. "In business, if you have the capacity to be strong everybody around you feels strong and they all swim together contentedly. But once the president shows a sign of weakness, then everybody tries to manipulate, to get his own little piece of status, power or money."

He is confident

Mature executives welcome the participation of others, even in the

area of executive decision. Since they are confident of their own ability, they find it easy to recognize that others have ideas. Strength in others is a threat only to the insecure.

A mature executive gains deep satisfaction from the accomplishment of his juniors. He finds a sense of pride—together with a sobering awareness of responsibility—in realizing that his subordinates depend upon his leadership. Ambitious executives may well feel a twinge of pain in switching from the command to the counselor role or in stepping aside to make room for a subordinate to grow. However, the mature learn to find a sense of personal gain and satisfaction in contributing to the development of another man's potential.

The birth of just such mature understanding in one company president resulted from serious illness. His company was in the midst of many pressing problems when he suffered a heart attack. The production manager, who was a comparative newcomer, stepped in and took over most of the president's responsibilities. Since he was effective, ambitious, and aggressive, others in the organization were willing to let him take the lead.

However, upon the president's return, misgivings, jealousy, and resentment began to corrode the cooperation which previously had been willingly given. Plots, counterplots, accusations, and rumors began to find their way to the president's ears. The easiest solution—recommended by many in the executive group—would have been to get rid of the disrupting influence of the production manager. There were strong hints that he was misusing his newly acquired power to the president's detriment.

Fortunately, the president acted with maturity. In an open meeting, he confronted the entire group, called a halt to the politicking and backbiting. He formally spelled out the limits of authority and responsibility, and asked for the kind of loyalty they had all given so freely during his absence.

Had the president been anxious about his own loss of power, he might have let a good man go.

Acting with maturity, he was able to retain all available energy and intelligence in the executive group and direct them toward effective functioning of the organization.

He has patience

The mature executive learns to accept the fact that for some problems there are no easy solutions. He is not likely to embrace the first solution that suggests itself. He respects facts and will try to assemble all available information before suggesting a cure. Not only is he willing to be patient, he recognizes that he is better off with more than one plan of action.

He can make decisions

Side by side with his patience in searching out solutions, however, the mature executive is able, when necessary, to make a decision in spite of ambiguity. Having weighed the facts, he recognizes that there is a time when action must be taken; a time, in fact, when indecision amounts to a decision not to act. Then, relying on his confidence in himself and the people around him, he is willing to take a calculated risk.

Management authority Peter Drucker points out that with regard to the future there can never be certainty, only predictions. The mature executive, who must plan for the future, learns to accept this. He plans on the basis of the best available estimates, for he knows that if he waits for complete certainty he may fail altogether.

He has resiliency

All of living has its share of illness, pain, disappointment. Not even the mature can escape this burden. However, the mature man bounces back from life's hurts with hope and with resiliency. He does not pretend that all is well, but he accepts the fact that pain must be borne, mistakes corrected, and he wastes no time agonizing over the past.

Failures and defeats that might crush a lesser man are viewed as lessons from which the mature man learns.

For example, a large metropolitan bank had invested considerable time and money investigating the desirability of installing data processing equipment. After the initial survey and selection of equipment, two men were given complete responsibility for supervising the change-over. They were instructed to take as much time as they felt they needed and to move only when

they felt all problems had been eliminated.

Eager to make a good impression, they underestimated the morale factor. The result: chaos. Finally the president asked the men for a full report. One executive offered essentially a defense of his own behavior. He pinned the blame for problems on every available donkey.

The second man started from the premise that he had been seriously mistaken in his original estimate of the personnel factors involved. Then he proceeded to outline a well-thought-out plan for carrying out the change-over from this point on, repairing the damage done, and avoiding the traps of their first efforts. For him the fiasco had been transformed into a learning and growing experience.

He welcomes work

An emotionally healthy person knows how to enjoy his job. His is rarely a lazy life. He knows the satisfaction of doing things well and he takes pride in his accomplishments. What's more, he can successfully handle multiple pressures.

John Pardi, president of Prosperity, Inc., a New York cleaning chain, says he always looks for a subordinate who can work on more than one problem at a time.

"Anyone can do a good job if you give him one problem to work on and all the time in the world to work on it. But when I see a man who is unwilling to pay attention to anything else until he gets his one little problem solved, I worry. That kind of a man would never know there was a fire going on right next door until the whole company burned down."

In an executive group it is rare to find a man who fears work. The danger lies in the other direction. Many executives use their work as an escape, a hiding place from other problems, a compensation for disappointment in their personal lives. Such compulsive drivers may be valuable to their companies, but they do injustice to themselves.

He has strong principles

One of the unifying forces in the mature personality is a strong sense of values and an underlying philosophy which guides his behavior. This ability to commit himself to an idea, a cause, or a principle is a product of some of the other qualities of maturity: self-acceptance, the ability to weigh facts, the capacity to learn from experience.

For many managers, the com-

pany becomes the primary commitment. Many executives actually see the organization as a living being with a life of its own beyond theirs. They view themselves as merely the guardians of the company's well-being. Their role is to nurture and protect it and pass it on to its future guardians.

This explains the apparent detachment with which many mature executives can make and carry out decisions. This accounts both for their involvement in the development of others and their ability to be tough with some.

One executive, commenting on this seeming paradox, points out that you can be tough or soft, as the situation dictates, when you are not doing it for any personal gain but for the future security of your company.

Dean E. Saxe of the Baruch School of City College of New York says that in his experience "The more a man believes in a principle the more he will fight."

This willingness to fight for what one believes in is a real mark of maturity. A man who is deeply committed is not likely to give up easily.

He has a sense of proportion

The mature man lives a balanced life because he has a sense of perspective. He takes pride in his company and his position in it, but he also recognizes his role in the larger scheme of things. If he is able to work hard, he is also able to cut himself off from business pressures and enjoy his leisure.

A subordinate once had occasion to telephone his boss while the latter was on vacation. The message reached the boss while he was on the golf course. He called back from the club house at the end of the ninth hole.

When told the difficulty, he listened carefully. Then he asked just one question: "Are the others worrying?"

"They certainly are," was the answer.

"Well," he responded, relaxed again, "that's fine. If they're worrying then I can go back to my golf. I'll be back next week and then I'll worry while they play."

There was maturity talking. **END**

REPRINTS of "How to Measure Maturity" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per thousand postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D.C. Please enclose remittance with order.



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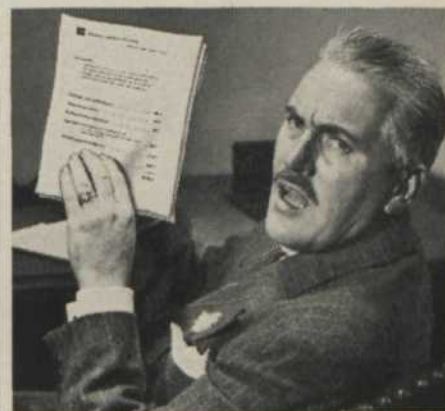
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How to live from Paycheck to Paycheck

(AND WONDER WHERE THE MONEY WENT)

The most important part of family money management is not whether you barely make it from paycheck to paycheck but how you can keep your budget from collapsing when you have to make a major purchase.

For example, suppose you need a new car or a larger house. Or suppose it's finally time to send the kids to college, or treat yourselves to a well-earned trip, or take advantage of a business opportunity. Can you swing it?

Often the answer depends on whether you're established with the right kind of financial institution so you can borrow a large sum of money. And borrow it at rates you can afford.

Where is the best place to borrow money?

A Full Service commercial bank has two distinct advantages over other financial institutions. First, it is not confined to making just a few types of loans. A Full Service bank can make loans for

practically any legitimate purpose you can name. And, second, interest rates on loans at a Full Service bank are generally lower than you'll find elsewhere. This means that when you do business with a Full Service bank, you have *one* source for *all* your loans. A source that, more often than not, will save you dollars and cents in interest costs.

Getting this kind of service from a Full Service commercial bank is a lot easier than you might think. All you do is follow this plan:

1. Pick a Full Service bank near your home or work. (If it offers checking accounts, savings accounts and all types of loans, it's a Full Service bank.)
2. Make this bank your financial headquarters. Give it your checking accounts, your savings accounts, and all the loans you may need.
3. Get to know at least one of the bank's officers so that you know where you stand financially right now. A good

way to do this is to fill out a Personal Financial Statement for his files.

4. When you need some extra money, borrow it from the bank instead of taking it from your savings. This way, you'll keep your savings account intact, and you'll also build a solid credit reputation with the bank.

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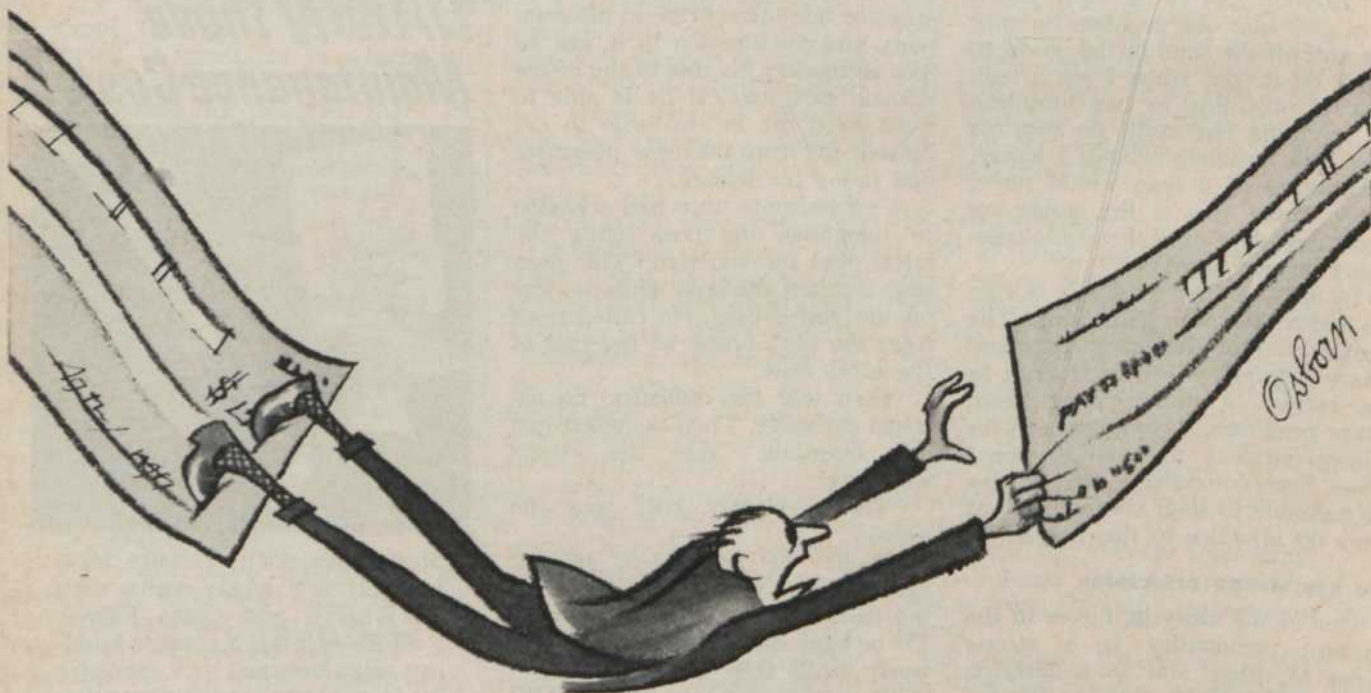
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PERSONAL OUTLOOK

Make your overseas trip A-Okay

If you're among 2.5 million Americans going abroad this year, here are hints from the experts' expert.

David Rosenberg briefs naval personnel before they deploy overseas. His program for the Educational Services Branch—known as “painless inoculation for cultural shock”—includes demonstrating smells, sounds, tastes, traditions.

Among his general recommendations after visiting three dozen countries:

Contact cultural attaches of embassies before you leave. They're extremely helpful, yet few Americans phone or write Washington for their suggestions.

Take small packages of paper tissues; you'll pay through the nose in many countries.

If you need drug store-type items in the night, European railroad stations are the best bet. Newsstand and vending machine stock is varied.

“The best souvenirs,” says Mr. Rosenberg, “are often found in department stores where they are sold as housewares to the people of that country.”

Among his hints for good manners overseas:

Everyone shakes hands on meeting in Europe. Exception is when you approach a table of diners. Instead of taking a chance on spilling food and drink, polite thing is to rap on the table several times. This indicates greeting and good appetite; means good luck in Orient.

Be careful about hand signs. They can get you into trouble. For example, the “okay” sign means money in Formosa, wait-a-minute in Latin America (if thumb and index finger are slightly separated), sissy in Turkey.

When you extend an index finger and say you want one item, Germans are liable to give you two items. They start counting with the thumb.

In some parts of India, they count sections of fingers with the thumb as a pointer. For example, instead of getting two items when you put up two fingers, you might get four.

It's often considered rude in the Orient to tap chopsticks on table or plate to even them up.

Whistling in Spain is a sign of disdain.

When moving past people to an empty seat in a Norwegian theater, it's polite to face the people.

If you're stumped in Sweden when you can't find a name in the telephone book, look after the letter “Z”—there are three extra letters in the alphabet.

Helping hand for the man who doesn't have everything

Are you all thumbs at do-it-yourself? Are your projects stymied because you don't have sophisticated power tools?

If so, a just published pamphlet may be a windfall.

Compiled by the National Lumber Manufacturers Association, it provides up-to-date specifications, lucid details about a dozen projects. All can be built with basic hand tools.

New projects include: utility rack, fence, bookshelf, patio furniture set, workbench, room divider and planter, coffee table, children's playhouse.

Each project is an original design or adaptation of well known design.

Information includes hardware and lumber

PERSONAL OUTLOOK

needs, tools required, steps to take, schematic illustrations.

Single copy is available free; extra copies, five cents each. Contact R. D. Jordan, NLMA, 1619 Massachusetts Avenue, N. W., Washington 6, D. C.

How to reduce a home hazard

Every tenth fire in the United States is caused by a defective heating unit.

The National Board of Fire Underwriters says you can take several steps to help keep your home safe during the cold weather season.

It suggests:

If the heating unit was not checked before winter started, call a serviceman and have it inspected now.

If even a faint fuel odor arises from your heating unit, call a serviceman immediately to check flue pipes, vent connections, and chimney.

Inspect your basement and furnace room; throw out old paint pails, oily rags, newspapers, magazines, combustible rubble.

NBFU also suggests these wintertime precautions:

Your fireplace should be protected with a metal fire screen, placed flush against fireplace when in use.

If you use a portable gas or oil heater in garage, farmhouse or lodge, always turn it off when you retire at night.

Among NBFU's recommendations concerning baby sitters:

Show the sitter two alternate means of escape from the home.

Make sure the sitter understands that in case of fire she should get the children out of the home quickly, then call the fire department, then notify the parents.

Postal rescue service

Ever wish you could get back a letter you just mailed?

You have a chance.

That is, if you contact postal officials before the letter is delivered.

Go to post office in zone where letter was mailed. If it hasn't left, you can get it by: providing identification (driver's license, social security card), describing letter, filling out a one-page form.

If the letter has gone to addressee's post office, postal officials will telegraph or telephone receiving postmaster. He will recall mail only upon communication from postal officials.

You pay cost of communication; charges are usually added to your telephone bill.

There are no other charges on first class mail.

Postal officials claim success with most letter and parcel recalls if they're notified within reasonable time.

Chance of recalling air mail is usually excellent if you take action within eight hours.

If mail has been delivered, you'll be notified. Addressee is not informed recall was requested.

If recalled mail is again presented for mailing, original stamps will be accepted. This doesn't apply to registry, insurance, COD.

To initiate recall action ask for superintendent of mailing requirements during day and tour superintendent during night in large communities; postmaster in smaller communities.

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Union friends dominate federal labor panels

More government intervention through these men will affect business

BUSINESSMEN face increasing intervention in labor-management decisions by supposedly neutral outsiders who actually sympathize generally with union objectives.

Secretary of Labor W. Willard Wirtz claims the world situation has made collective bargaining as we have known it obsolete, and businessmen can expect a converging of "public and private decision-making in the whole area of labor relations."

This, of course, means more government intervention and more use of outside experts who are supposed to represent the public interest and serve as neutral mediators, arbitrators and members of government boards, panels, commissions and the like.

Most experts picked by the government to intervene have been associated together in wartime handling of

labor disputes. They include Secretary Wirtz and William E. Simkin, director of the Federal Mediation and Conciliation Service, who now make or influence most of the selections.

Secretary Wirtz and Director Simkin both gained experience in the labor-management field as members of the National War Labor Board, headed by George W. Taylor.

The labor secretary headed the successor National Wage Stabilization Board, which phased out wartime wage controls during the reconversion period. He and Dr. Taylor, on whom government officials lean heavily to arbitrate major labor-management disputes or to help formulate labor policies, helped set up the second Wage Stabilization Board which handled both wage controls and made recommendations for

Often picked to intervene in labor disputes, George W. Taylor, left; David L. Cole, center; and John T. Dunlop side with unions on compulsory membership issue

settling disputes during the Korean emergency of 1950-53.

Mr. Simkin also was associated with Dr. Taylor on the War Labor Board and as an umpire in the hosiery and men's clothing industries.

The attitudes of most of the outside mediators on labor-management issues are fairly well known or can be surmised from their experience, associations, previous decisions or public statements.

They tend to confirm the suspicion among some management executives who deal with these problems that professional arbitrators too often favor unions because of personal bias or because they feel they have to give them something out of fear that, if they don't, they will be blacklisted by union officials and be barred from future service as government mediators or private arbitrators.

It is an open secret among arbitrators that opposition by one union may cause all unions to reject their services and impose an effective blacklisting, whereas opposition by one employer usually is not enough to make much difference.

One may anticipate that any public intervenor who served on the War Labor Board or the Korean WSB will favor compulsory union membership, currently a highly controversial issue in the aerospace industry.

The WSB recommended compulsory union membership—an all-union shop—in the steel industry in 1952. The decision, resisted by the industry, led to government seizure by President Truman and an eight-week strike after the Supreme Court dissolved the seizure as unconstitutional.

The WSB chairman at the time was Nathan P. Feinsinger, whom President Kennedy made head of a special commission to help resolve the dispute between airline pilots and flight engineers over which union would fill the third seat in jet cockpits when crews were reduced from four to three.

Mr. Feinsinger asserted in defense of WSB's union shop recommendation in the steel industry that the union shop was legal and that the Board had to grant it to prevent a strike.

The WSB vice chairman was Frederick H. Bullen, who is on a panel the President appointed to help settle the current dispute over compulsory unionism between Lockheed Aircraft Corporation and the International Association of Machinists while the 80-day Taft-Hartley injunction is in effect. It expires Feb. 21. Arthur M. Ross, chairman of the Lockheed panel, was associated with both Mr. Feinsinger and Mr. Bullen on WSB as well as WLB.

The original panel appointed by President Kennedy to intervene in the dispute involving Lockheed and other Southern California aerospace firms (before he invoked the Taft-Hartley Act), consisted of Dr. Taylor and two former associates on WLB and WSB,

Ralph T. Seward and Charles C. Killingsworth.

This panel recommended that all workers be required to join the union if the employees represented by the union favor it by a two-thirds vote. General Dynamics, North American Aviation and Ryan Aeronautical employees rejected compulsory membership. Lockheed refused on principle to agree to the polling of its employees, despite the likelihood that they, too, would reject forced unionism (see page 96).

The War Labor Board, as a matter of course in settling the union security issue, invariably ordered a form of compulsory unionism called maintenance of union membership. This did not require that workers join a union, but once they did, they had to remain members or lose their job.

This form of security may seem innocuous because the worker presumably joins the union voluntarily, although he usually is subjected to pressures from union officials and fellow workers. But a President's panel in the dispute between Boeing and the Machinists union just last month described this form of union security as embodying "an important element of compulsion" which "limits employee freedom of choice."

The panel recognized the compulsive elements even while criticizing Boeing management for not granting the union's wish for even stronger compulsion—forcing all workers to join. Two of the three panel members, Chairman Saul Wallen and Lewis M. Gill, served on the War Labor Board.

On this issue of compulsion, the attitudes of Dr. Taylor and two other mediators frequently used by the government, David L. Cole and John T. Dunlop, are clearly on the record.

Besides being associated together on the War Labor Board, the three sat on a nine-man independent study group whose report on "The Public Interest in National Labor Policy" was published a year ago by the Committee for Economic Development.

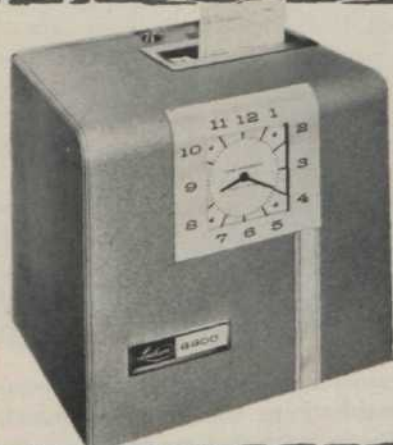
The report urged repeal of a section of the Taft-Hartley law which permits states to forbid compulsory union membership, as 19 states have done, through what are called right-to-work laws. Repeal is a top legislative objective of the AFL-CIO and other labor organizations.

The report also suggested that workers who object to being forced into a union "develop a 'consent to lose' and a willingness to live with the majority choice at least temporarily."

Dr. Taylor and Mr. Feinsinger were among a group of former War Labor Board members and professors of administrative law who in 1947 urged President Truman to veto the Taft-Hartley Bill, which he did. Congress, however, overrode the veto.

Dr. Taylor and Mr. Cole are public members of the tripartite President's Advisory Committee on

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Labor-Management Policy which recommended that Congress take away authority the President has under the Taft-Hartley law to obtain an 80-day court injunction to end strikes which threaten a national emergency.

The President would be granted authority, under these recommendations, to step into major disputes before they reach a critical stage, which would mean more frequent intervention. He also would have the power to name a panel to investigate a dispute and make recommendations for settlement during an 80-day cooling-off period, a device President Kennedy utilizes now, when he can get consent from both sides.

Some criticism surrounded the choice of Dr. Taylor to sit on the presidential panel in the aerospace industry because of his views on compulsory unionism, which was the main issue.

He told NATION'S BUSINESS that his function as an intervenor in labor disputes is to develop an acceptable procedure for arriving at a settlement as a substitute for the strike and that was what his panel did in the aerospace controversy. The recommendation was that the companies grant the all-union shop if approved by a two-thirds vote of affected employees.

Arbitrators should have views "and let them be known so that those using their services don't buy a pig in a poke," he said.

Jonathan C. Gibson, vice president and general counsel of the Atchison, Topeka and Santa Fe Railway, contends that on some issues, such as compulsory unionism, "The appointing power can determine the result by his selection of the personnel of a mediation panel."

Mr. Gibson also criticizes most arbitrators as tending to split their awards down the middle to please both sides to a certain extent in order to get appointed to other cases in the future.

Mr. Cole and Mr. Dunlop both deny that is true and cite instances in which they either completely rejected union demands or did not "split the difference."

Mr. Cole is best identified on the compulsory unionism issue as chairman of the Presidential Emergency Board which recommended the all-union shop on the railroads in 1952—a recommendation Mr. Gibson

described as "completely one-sided." Although Mr. Cole has intervened for the government in some of the biggest disputes in airline, coal, railroad, steel and other industries, he personally believes that intervention is destructive and the government should avoid it if possible. (See "U. S. Intervention Kills Collective Bargaining," NATION'S BUSINESS, March 1962.)

Once the government decides it must intervene in the public interest, in Mr. Cole's opinion, it is necessary that the intervenor be empowered to make recommendations for settlement.

Mr. Cole says that there is never an even balance of power in a labor dispute.

"Always one side is stronger," he says, "and we try to stop the stronger from exploiting his strength beyond what is right and what will work."

"We try to search out from our experience and the studies of others what kind of solution is fair and reasonable to each of the parties. If either side exacts too hard a bargain, he is borrowing trouble for the future."

Dr. Dunlop has had a wide range of experience, but his specialty has been construction industry labor problems. For years he was the first chairman of the industry's joint board for settling jurisdictional disputes. Currently, as a member of the federal Missile Sites Labor Commission, he usually handles disputes related to construction.

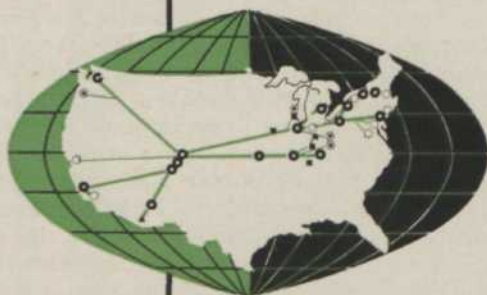
Dr. Dunlop warns that intervention in the wage and price areas should be watched with care. He agrees that intervention is fraught with all sorts of dangers.

"But there are also dangers," he says, "if the parties don't solve their problems in a way that is economical and meets the quantitative standards (suggested by the government as being in the public interest)."

What should the businessman expect from a public intervenor?

"The businessman should expect certain attitudes and comportment usually associated with neutrality," Dr. Dunlop says. These include a willingness to explore, understand and be sympathetic of each side's position, otherwise he will not have the parties' confidence. This doesn't mean the neutral shouldn't have preconceived views.

"Both sides should also expect from the neutral a certain amount of initiative and imagination in making suggestions which they are equally free to reject. They may



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use the suggestions to trigger new ideas of their own."

Dr. Dunlop and Mr. Cole were members of a public panel appointed by Secretary of Labor James P. Mitchell in 1954 to make recommendations for improving the labor situation in the government's atomic energy plants.

They recommended gradual elimination of the Atomic Energy Labor-Management Relations Panel which the Truman Administration had set up to handle atomic disputes.

The availability of the special panel encourages disputants to lean on it instead of settling their problems themselves, the public panel said. Nothing came of the recommendations.

Some criticism has been directed at Mr. Cole and David H. Stowe, an arbitrator who is also on the missile sites commission, because they are paid by the AFL-CIO as arbitrators of jurisdictional disputes within the AFL-CIO and within the Industrial Union Department.

"We are rendering a professional

service for a fee, just like a lawyer or a doctor," claims Mr. Stowe. "Only one company brought this up in the hundreds of cases I have arbitrated."

Mr. Stowe is one of the few who did not serve on the War Labor Board. But he worked closely with WLB staff members during the war handling presidential seizure of struck plants as a member of the Budget Bureau staff. Later he was a labor aide to President Truman.

Many companies try to resist third-party intervention. One of the most successful in this respect is General Electric Company, which may face government pressures when it bargains over new labor contract terms in the fall.

The expectancy of intervention removes any incentive for either party to state its real position or put everything on the table, knowing that it will have to give a little, Philip D. Moore, manager of employee relations services, says in explaining the company's position to its management employees.

"We do not subscribe to this kind of bargaining. We believe in putting everything that we honestly feel is warranted in our initial

proposal and then changing it as negotiations reveal what is in order.

"From a practical standpoint, it is clear that 'disinterested' third parties have no responsibility for the business and are therefore not accountable for business results as they may be affected by the outcome of negotiations.

"The company's risk in the financial area is very great and management cannot delegate the responsibility for decision-making to a third party, who does not bear the responsibility for the operation of the business or for the welfare of employees.

"The union has nothing to lose, and usually much to gain in submitting disputes to third parties. About the only risk they do run is not being granted all of their demands, and this risk can be minimized by starting out with such a fantastically all-inclusive set of demands that even if they are granted half of them they are still ahead of what they reasonably deserve."

General Electric's hard bargaining policy is being challenged before the National Labor Relations Board by the International Union of Electrical Workers as a violation of the Taft-Hartley law.

Except in railroad and airline disputes, the President has no authority to solicit recommendations from panels he appoints in labor disputes if either side objects.

Proposals that he be granted this authority under the Taft-Hartley Act are usually criticized on the grounds that it would be ineffective, destroy collective bargaining and lead to compulsory arbitration.

After 35 years of presidential panel recommendations under the Railway Labor Act, the railroads are reluctantly embracing compulsory arbitration—making the recommendations binding—as a way out of the situation which has developed in their industry.

Panel recommendations, which once were readily accepted, are now more often rejected by unions and used as a floor from which to bargain for more.

The government panel which made construction recommendations for minimizing wasteful work rules which the railroads claim cost \$592 million a year was headed by former Federal Judge Simon F. Rifkind of New York, rather than a professional arbitrator.

The operating brotherhoods involved have rejected the recommendations and threaten a national railroad strike this spring. **END**

Cold War Labor Boards

Government labor panels to which President Kennedy is appointing an increasing number of wartime mediators to help settle cold war labor disputes have been dubbed "Cold War Labor Boards."

Former National War Labor Board and Wage Stabilization Board personnel serving as public representatives on permanent government labor panels include:

President's Advisory Committee on Labor-Management Policy

Secretary of Labor W. Willard Wirtz, chairman
George W. Taylor
Clark Kerr
David L. Cole

Missile Sites Labor Commission

Secretary Wirtz, chairman
Director William E. Simkin,
Federal Mediation and
Conciliation Service, vice
chairman

Mr. Cole
John T. Dunlop

Atomic Energy Labor-Management Relations Panel

Cyrus S. Ching, chairman
Rev. Leo C. Brown, S. J.
Robben W. Fleming

Named to special panels in disputes involving the following companies or issues have been:

Dock Strike

Sen. Wayne Morse
Theodore W. Kheel
James J. Healy

Lockheed Aircraft Corporation

Dr. Taylor
Ralph T. Seward
Charles C. Killingsworth
Arthur M. Ross
Frederick H. Bullen

Boeing Company

Saul Wallen
Lewis M. Gill

Commission on Jet Crews Dispute

Nathan P. Feinsinger
Richard A. Lester

1961 Maritime Dispute

Mr. Cole
Mr. Healy



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KENNEDY SUPPORT

continued from page 35

included extension of the Defense Production Act to June 30, 1964; the Administration's foreign aid package; establishment in the White House of an Office of Science and Technology; increases in postal rates and approval of the United Nations bond issue.

Cooperation in other fields

Apart from the news-making legislative issues is a wide area in which business cooperates with government day in and day out.

One of the busiest contact points is that provided by the Business and Defense Services Administration of the Department of Commerce.

Daniel L. Goldy, former lumber industry executive, heads BDSA.

Mr. Goldy says the number of contacts which he and his aides in BDSA make with business executives has been steadily increasing since he took over the job of administrator last July. He attributes the rise to "an awareness which is growing among businessmen that a more intimate relationship is needed between their companies and the federal government."

This awareness is traceable, Mr. Goldy says, to stepped-up international competition. BDSA activities include a program of spotting overseas market opportunities for American firms and making this information available to business. Last year BDSA helped American companies get two \$200 million contracts—one for a locomotive-building job in India, the other for an atomic energy project in Ceylon.

Virtually all major departments of the federal government maintain a battery of advisory committees on which businessmen serve, along with representatives from unions, universities and other fields. Not a few of the advisory groups are appointed by the President himself. Prominent among these is the President's Advisory Committee on Labor-Management Policy, which last fall sponsored a conference that resulted in virtually unanimous agreement that the federal tax system is the major barrier to improved economic performance. Another important group is studying the implications of automation.

In 1962 two major studies—one on the nation's balance of payments position, the other on federal budget presentation—were undertaken by committees of the Chamber of Commerce of the United States at

the request of President Kennedy. Of the latter report, Mr. Kennedy said:

"I was particularly interested in their evaluation of the shortcomings of the present administrative budget and their recommendations that: 1, a more comprehensive statement of total receipts and expenditures be given the main attention in the presentation of the annual budget, and 2, within these totals, loans, trust fund, and public enterprise transactions be shown separately."

Mr. Kennedy instructed the Director of the Bureau of the Budget to study the report, "as it applies to our continuing efforts to make the budget of the United States a document which sets forth as clearly as possible the economic and financial implications of the federal government's activities."

Washington's export expansion program—an activity inaugurated by former President Eisenhower and carried forward by the present Administration—is one in which businessmen have lent vital aid.

The program is directed by a National Export Expansion Council in cooperation with the Department of Commerce. All council members are businessmen. In addition, there are 34 regional export expansion committees which spread the gospel of increased exports throughout the country. Under the leadership of these regional groups—also comprised of business executives—numerous workshops on the "how to" aspects of getting into foreign trade have been held.

From a profit point of view it has long been an aim of businessmen to tap the commercial potentialities of government-operated activities such as space technology and atomic energy.

The latter field, largely the province of the Atomic Energy Commission, was for many years rigidly seclusive. Now, under the AEC's Division of Industrial Participation, an office created at the request of businessmen, industry is getting greater access to nuclear technology.

The Division is headed by Ernest B. Tremmel, a former Atomic Energy Commission aide. Mr. Tremmel represents industry in commission decisions and sees to it that industry needs are understood by the AEC. His efforts have paid a number of dividends, including elimination of government production of certain radioisotopes so that private industry could produce and market them.

An office comparable to Mr. Tremmel's was formed in the Na-

tional Aeronautics and Space Administration early in the Kennedy Administration. Its formation was indorsed by both the Administration and industry, which does about 85 per cent of NASA's work on contract. From the office—known as the Office of Industrial Applications—have flowed some useful research data and materials technology.

Are attitudes changing?

What's it like to deal with the present Administration?

NATION'S BUSINESS put this question to a number of business and association representatives in Washington. Responses varied. A number said they feel the Kennedy Administration is beginning to turn a more responsive ear to business views.

One key business spokesman says: "You have to remember that this Administration is politically savvy. It doesn't want to wear an 'antibusiness' label. In fact, it doesn't want to be labeled 'anti' anything, except communism. So it is working hard to create a good label to replace a poor one."

This executive says the channels of communication between his group and the Administration are good, but he lays this primarily to an attempt at cordiality which he sees operating in the government. "We even got along well with Arthur Goldberg," he comments.

Another spokesman says a definite change is in the air:

"A lot of the old emotionalism is gone. The Administration seems to have tempered its views on a number of business issues. The bright-eyed boys who came in with the New Frontier are beginning to grasp the fact that everything doesn't come out of a Harvard textbook. I would say they are in better touch with the economic realities now than they were a year ago."

What are the views of government men on the relationship?

One high Administration official says: "Unfortunately, many in government fail to understand the facts of business life. This is true even of some people in the White House. It certainly is true of the State Department and you find it in Treasury, where too often tax questions are approached from a lawyer's point of view and with wholly insufficient regard for the economic impact of taxes."

This official hastens to deny, however, that there is any deliberate bias against business in the Administration. "Ignorance of business, yes," he says. "But bias? No." **END**

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WHY PRICES STAY UP

Constant pressure of wages, other costs prevents general decline

FOR MORE THAN a decade the price level has not fallen.

It has held steady or even inched up in the face of weak markets and unused capacity. And as soon as the economy has worked up any steam, it has started to climb.

What of the future?

Princeton University economist William J. Baumol puts the consensus this way:

"Among the few things which economists predict with any degree of confidence is that—with some possible exceptional periods—prices will, on the average, be higher in future decades than they are today."

There is, of course, no single measure of the thousands of prices and price changes recorded every business day. Business analysts therefore rely largely on two basic indexes, the consumer price index, and the wholesale price index, both compiled monthly by the U. S. Bureau of Labor Statistics.

Both these indexes have been criticized widely because of serious shortcomings in their compilation. However, they serve a useful purpose as benchmarks, simply because they are the only broad measurements available.

At any moment some of the prices or groups of prices that make up the indexes are going up or down, and some are stable. But an analysis of the trends of past years shows clearly that the number of prices that can go down as easily as they can go up are in a tiny minority.

Here are four reasons why:

1. Rigid costs keep many prices high.

2. A ratchet-jack effect keeps prices from slipping back, once they advance.

3. Firm prices support economic growth.

4. Government policies and operations keep prices up.

Rigid costs

The prices which are more flexible downward are largely those of the basic commodities which fluctuate violently, some partly finished materials, and a few other categories.

The prices of manufactured goods and services generally have held firm in periods of wage stability and weakened demand, or risen in response to cost and demand pressures. The same distinctions in price behavior can be made between crude and intermediate materials and finished goods.

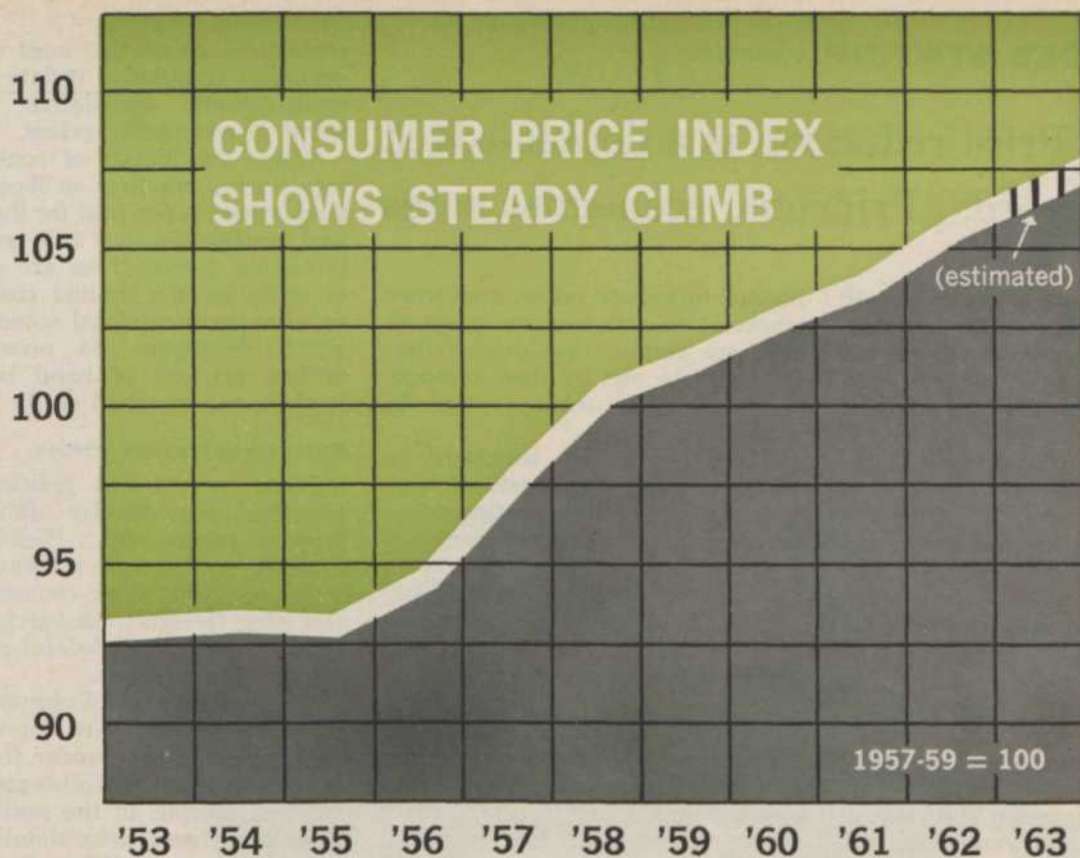
The great diversity in the behavior of prices is dramatically illustrated in a study by a BLS research economist of 11 years of creeping inflation preceding the recent extended lull in prices.

While the over-all indexes went up about 30 per cent, the price movement for major subgroups ranged from only a five per cent increase in wholesale foods to 68 per cent in machinery and equipment.

The reason is largely because of the fixed costs of processing or manufacturing.

One economic fact of life is that wage rates don't go down; nor do many other costs.

Charles Schultze, of Maryland University, in a study for the Joint Economic Committee of Congress, pointed out that "over the complete business cycle,



it is apparent that labor cost per unit behaves more like a fixed cost than a variable one."

Another prominent Washington economist asserted recently, "Employers know that wage rates are practically irreversible."

Another fact of business life is that the wage floor is in some industries raised in line with consumer prices by the use of escalator clauses which tie labor contracts to the consumer price index.

This practice, according to Gardner Ackley, a member of the President's Council of Economic Advisers, is a labor "markup pricing policy" similar to markup pricing:

"In effect, labor prices its services on the basis of a fixed markup over its cost of living."

Prof. John P. Lewis, of Indiana University, demonstrates how this reinforces markup inflation: "Wage patterns set in relatively progressive industries can spread to service industries where the indigenous productivity gains are much smaller and thereby cause sharp rises in service prices."

Ratchet-jack effect

On the basis of extensive statistical research at the National Bureau of Economic Research, Dr. Ruth P. Mack concludes that gyrations of raw materials prices tilt the price level upward. They operate on the level of prices like a ratchet jack, working in one direction—up.

According to Dr. Mack, many increases in raw material costs are promptly reflected in higher prices of manufactured goods incorporating these raw ma-

terials. Cuts in prices of raw materials frequently are not passed on in lower manufactured goods prices. In Dr. Mack's words, "The price of fabricated goods responds more agilely to a rise in crude materials prices than to a fall."

According to this analysis, hikes in the prices of crude materials affect other prices "by influencing expectations about prospects for prices and delivery conditions."

In addition, "The rigidities of other aspects of the cost structure cause a built-in resistance to downward pressure." This freezes raw material price increases into prices of manufactured goods. The matter is intensified further when these strategic cost hikes precipitate buying or inventory waves.

Some economists maintain that a ratchet effect operates throughout the economy. Professor Lewis sums up the case, noting that "our economy has acquired a collection of cost and market structures, wage-setting institutions, business pricing practices, and government price supporting and regulation policies that contributed a ratchet effect to most wage and price movements; that caused particular cost increases to spread and reverberate throughout the price structure; and that made it the normal disposition of the price level to rise gradually whenever the economy was in the remote vicinity of full employment."

Prices support growth

The record shows clearly that the price level rises during years of healthy economic growth. Professor

"Price reduction is a double-edged sword," Princeton economist notes

Baumol ties rising prices to growth which "is important to the businessman not only as a means to an end. In large segments of American business practice it has become a goal in and of itself.

"We have in the nature of the American business enterprise powerful, dynamic forces which can be depended upon to produce a remarkable rate of long-run expansion of our economy."

He also thinks favorable price expectations are a necessary part of this growth: "Up to a point, slowly rising price levels probably act as a stimulant to growth. On the one hand they produce an optimistic atmosphere in which the businessman has confidence in the chances for success of his expansion programs.

"Moreover, as we have seen, increasing costs do not seem to serve as much of a deterrent to output during such a period."

J. M. Clark, professor emeritus at Columbia University, comments, "It is also likely that mild inflation is a more stimulative condition than one marked by such drastic restrictions as would be necessary to stamp it out."

Both Professors Baumol and Clark are quick to point out dangers to business when price rises are too sharp or go on for too long.

Price decisions must be based on hardheaded calculation of costs and competitive strategy. As a consequence prices are lowered or raised only after careful study of both short- and long-run goals. [See "How to Price for Tomorrow's Competition," January *NATION'S BUSINESS*.]

This fact of business life helps explain why so many individual prices don't fluctuate as much as the textbook picture of classical free markets would have them. Bertram M. Gross, a professor at Syracuse University and former executive secretary of the Council of Economic Advisers, says this is, in fact, the key to the behavior of the price indexes.

Robert F. Lansillotti, one of the authors of a massive study of pricing practices in many of the nation's largest firms, points out that in many cases managements are re-

luctant to reduce prices even when markets are soft because businessmen are certain that price reductions will be met by their competitors so no advantage would be gained.

There are many situations in business when even textbook economics doesn't advise cutting prices to stimulate sales and maintain profits. Cost rigidities, along with a saturated market, require not only holding the line, but even raising prices of certain items to maintain unit profit margin ratios.

Professor Baumol notes that the average businessman, "shrewd and well educated by experience," knows that "a price reduction is a double-edged sword which, while it serves as an influence to increase total

Your business will feel effects of tough, new policies if it's subject to regulatory agencies in Washington. Their plans are told on page 38

revenue in that it usually adds to the number of units which can be sold, simultaneously works in the opposite direction by reducing the revenue on each unit sold."

In other words, "price-cutting is an uncertain means for increasing sales," and, therefore, managements of many successful firms find it more profitable to use nonprice competition to expand markets.

The fact that many prices go down only under special circumstances has other advantages for the economy, one analyst notes.

"The very wage and price inflexibilities that some people complain about have contributed importantly to dampening deflationary forces. Price stickiness offers substantial

protection against that most vicious engine of cumulative deflation—the undisciplined, speculative downspiral in commodity prices.

"Thus the impact of contemporary pricing practices on short-term fluctuations is not just, for the most part, unobjectionable; it is positively benign, provided we are willing to settle for the limited goal of a semicompartimentalized economy in which downturns do occur but seldom get out of hand because they do not snowball easily."

Government props prices

Many government policies and activities are directly aimed at keeping prices high. Well-known examples are the farm program, subsidies on some other commodities, and some foreign trade barriers. In fact, the most basic federal policies tend in this direction.

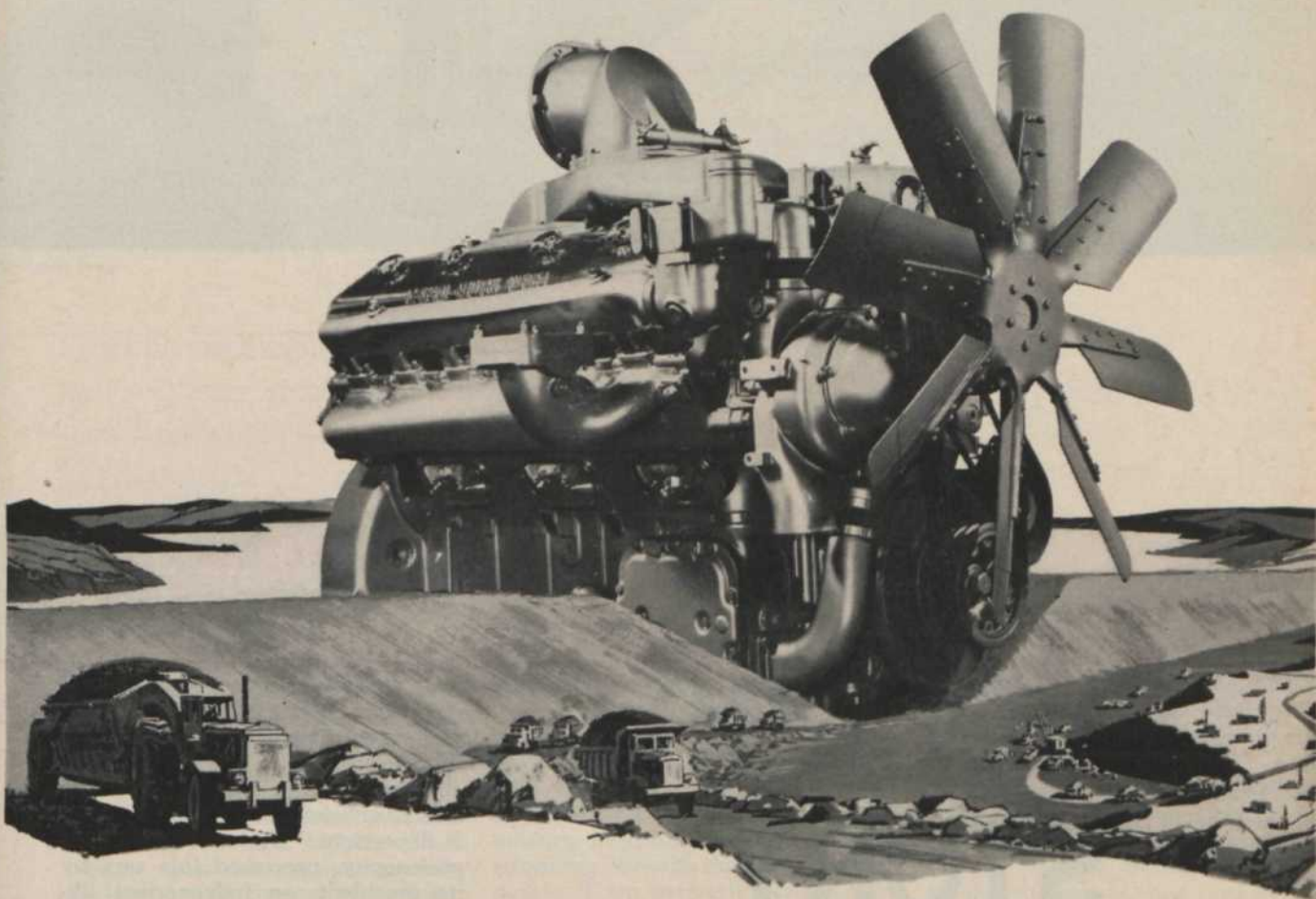
The commitment of national economic policy to avert depressions and unemployment under the Employment Act of 1946 often puts government officials in the position of choosing between price stability and full employment. When the chips are down the policy-makers often invoke the monetary and fiscal measures which will bolster employment and output even if they send prices up.

Chairman Walter W. Heller of the Council of Economic Advisers, for example, argues that the built-in stabilizers, which many economists feel have helped stabilize prices, are doing their job too well and putting a damper on growth. Therefore, he urges a tax cut to bolster demand and output. (See "Why We Must Cut Taxes," October *NATION'S BUSINESS*.) The Council emphasizes the need for price-wage flexibility in a free economy, and points out the partial conflict between the goals of price stability and minimum unemployment.

The big issue for the future is whether this conflict can be resolved. Many experts, looking at the record of the past 25 years and the continuing cold war, think they can't. Professor Lewis concludes: "The only prudent assumption for American public policy planners, in my judgment, is that our future will exhibit an inflationary bias of this kind, unless substantial new offsets are contrived."

Part of the cost of prosperity may well be a permanent upward tilt in price trends—periods of rising price levels alternating with periods of relative price stability such as the past two years.

—HAROLD WOLOZIN



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Rockford College's \$18 million new campus will replace facilities dating back as far as 1847. Student body will be tripled in size

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"WHEN we lead people to believe it is their right to be cared for, we undermine their will to take care of themselves.

"Man's human stature rises as he is self-sufficient and declines as he is dependent." Under this dynamic philosophy, expressed this way by its president, an independent liberal arts college in Rockford, Ill., is building an \$18 million new campus without use of federal aid.

In its ambitious undertaking, Rockford College is moving against a strong current in American education. A vocal element in this country today holds that federal aid to education is essential, and the Kennedy Administration is pushing again in this session of Congress for additional aid.

"We in education, and those of you on the outside, must rise to the task of providing funds through the traditional sources to meet expanding enrollments and to hold our own in the technological race with communism," Rockford President John A. Howard says.



ARCHIE LIEBERMAN

**Fund drive chairman
Bruce Olson looks over
just-completed classroom
building with. . .**

**Karl C. Williams,
chairman of the Rockford
board of trustees, which
took a firm stand against
federal aid, and. . .**

**John A. Howard,
college president and
a vital force in
building a new Rockford
with private funds**

"If this is an impossible job without federal planning and federal funds, we at Rockford are too stupid to realize it. We are building an entirely new campus through private resources. We're now in our fourth year and on schedule."

More than \$3 million already has been raised through the efforts of Dr. Howard and college officials, trustees, graduates and other volunteers. The main classroom building and a four-building cluster of dormitories have been built and paid for, and utilities and roads have been installed on the new campus. Target date for completion of the 35-building project, which will permit the student body to be tripled in size, is 1969.

Rockford College has no church affiliation and an endowment of only about \$2 million. Since it was a women's college until 1955, all of its men graduates are under 30 years old and thus financial support from alumni is limited.

"If Rockford can build a whole college without tax money," Dr.

Howard points out, "it is difficult to see why other institutions with tasks no greater claim they must have federal funds."

"I challenge the conclusion that our nation will be well served by meeting its critical needs in college education through the use of federal money. I am perfectly certain that such a course, while perhaps providing a temporary cure, will ultimately deform the patient if it doesn't kill him."

"Education is a machine of our society. None of us dreams of trying to repair a machine without first understanding thoroughly its function and how the parts are related. There is another machine that was repaired by technicians who weren't aware of how it worked. The fantastic mess in American agriculture is a monumental example of the damage that can be wrought by well intentioned, but shortsighted, repairmen."

"We cannot afford to have our educational system 'saved' by similar national techniques."

A vital catalyst in Rockford's success has been the compelling personality and conviction of Dr. Howard, a slender, slightly balding man of tremendous energy. Shouldering a significant portion of the fund-raising job at the same time he was making academic changes in the college, he has pushed forward with the same determination that won him four decorations and a battlefield commission in World War II. Under his leadership, the college has updated its curriculum, raised faculty salaries and admissions standards, and attracted a number of new professors from other colleges and universities. These faculty members have been drawn to Rockford by the challenge of helping build a new college and, as Dr. Howard says, "by our intention of informing our students about the contemporary world to a far greater degree than is customary in American education."

George M. Wattles, a former businessman, now is chairman of the Department of Economics and



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SUCCESS STORY

continued

Business. He was drawn in part by the college's stand on federal aid.

"Critical of the expanding functions of government, the trustees and administration have the courage to refuse government aid despite the urgent need for millions of dollars to finance the new campus and academic program," he says.

"Their faith and determination helps us teach our students the continuing merit of self-confidence and a host of other old-fashioned American virtues."

What does this have to do with raising funds to build a new campus? Dr. Howard spells it out:

"Ultimately the only substantial support a college can attract is what it earns through its educational program. In attracting new support from individuals and corporate donors, the present educational program must be the basis on which the college is sold.

"It's a mistake to try to sell what you're going to do.

"A liberal arts college must face the fact that what it has to offer potential industrial donors is of much less direct benefit to them than engineering programs and the like.

"Indirect as it is, however, it may be of more critical importance to them in the long run than programs where support is more easily justified to stockholders. There is good reason to believe that a liberal arts graduate is often best able to perceive all of the complex interrelationships of responsibility that a top corporation executive carries."

The success of Rockford College's fund-raising program is testimony to the effectiveness of Dr. Howard's approach. Individuals and corporations in Rockford which had not been among the college's supporters in the past have become contributors; the number of contributors in other cities has been boosted.

The support of the business community in Rockford and elsewhere has been particularly important. Louis S. Gibb, the college's vice president for development, says that approximately half of the funds raised so far have come from corporations and corporate foundations. The largest gift—\$205,000—came from a Rockford corporation. About half of the \$4.7 million goal for the second three-year phase of the drive is expected to come from business and industry.

"Rockford is a highly industri-

alized city," points out Bruce Olson, chairman of the drive's second phase and president of the Sundstrand Corporation in Rockford. "Rockford industry has been successful and has been reasonably generous in its support of local institutions. We haven't conducted a high-pressure solicitation—collecting for a college is a continuous job. We've approached people on the basis of maintaining a good college in the community."

On the other hand, Rockford's past generosity in community projects does not work entirely to the advantage of the college's drive, as another trustee, Stanton K. Smith, president of the Smith Oil and Refining Company in Rockford notes:

"More than \$16 million has been collected in Rockford since 1940 to build three new hospitals. This money is gone—it isn't waiting for solicitors from the college. People are being asked to dig down in their pockets again, and this is an obstacle to collections for the college.

"The success of our drive will be keyed increasingly to finding new and unploughed fields of money in Rockford and, possibly more important, to bringing in even more funds from corporations, foundations and individuals in other cities.

"I believe we have a good product to sell, though. Independent colleges are the leavening agent for all education. They can make experimental forays into better educational methods, and constitute our main deterrent against the uniformity of education totally financed by government.

"Also, a community with a strong educational institution as part of its core has a cultural stimulant

What is maturity? You'll be interested in the answer found by recent research. For findings and a check list to test yourself, see page 40

and a means of providing a flow of well educated people back into the community."

How does the Rockford industrial community feel about supporting the college's far-reaching plans? Reuben E. Aldeen, president of the Amerock Corporation, a manufacturer of industrial hardware, says:

"We hope to get much of our future corporate organization from



This impressive office owes much of its comfortable atmosphere to its walls—Weldwood Architectural plain sliced walnut installed in a carefully mismatched plank style. You may specify custom panels like these, or choose from scores of prefinished or Architectural Grade Weldwood

panelings in stock. This is the office of the president of Southland Life Insurance Company in Southland Center, Dallas, Texas. Architect: Welton Becket, FAIA, & Associates, Los Angeles. Installer: Adleta Show Case & Fixture Manufacturing Company, Dallas.

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SUCCESS STORY

continued

Rockford College—it's a training ground for our coming executives and employees. Business—little and big alike—has a real stake in supporting education. Too many colleges are becoming dependent on federal aid.

"If you don't back up your convictions with cold cash, they don't mean very much."

Help also has come from professional organizations in the area. The county bar association, medical and dental societies, and other groups have urged their members to contribute. The Northern Illinois Chapter of the American Institute of Architects has pledged funds for an art gallery in the new college center building.

The urgent need to spread support for the college far beyond the city limits of Rockford has been emphasized by Dr. Howard. A large part of his time is spent traveling to gain more out-of-town help.

"Diversification of your board of trustees is most important," he says. "More and more corporate executives are coming to recognize the direct relationship between the success of liberal arts colleges and the long-range success and stability of the U. S. economy. Consequently, there is a growing reservoir of potential trustees in big cities available to small colleges that may be some distance away."

Dr. Howard has increased the number of out-of-town residents on the board of trustees and also added more trustees who are businessmen. Now 14 of the college's 34 trustees are from other cities. These include two in New York, five in Chicago, one each in Boston, Detroit and Los Angeles. Out-of-town trustees have been helpful in bringing in gifts from outside the Rockford area.

Graduates of the college, who are scattered throughout the country, have taken on the task of raising \$600,000 for the new college center building. They have pledged more than \$500,000 so far.

What is the story behind Rockford College's uncompromising stand against loss of its independence? Founded in 1847 as the Rockford Female Seminary, it is older than such Eastern women's colleges as Bryn Mawr, Smith, Wellesley and Vassar. Pioneer social worker Jane Addams was a graduate.

The college's present 12-acre campus is located near the center of

Rockford, Ill., a city of 131,000 people about 90 miles northwest of Chicago. One of its nine buildings housed the original seminary. Men were admitted as students seven years ago and now number more than half of its 450 full-time and 1,200 part-time students. The student body is being increased gradually to the 1,200 full-time enrollment which will be accommodated by the new campus.

The decision to build a new, enlarged campus was made by the college's board of trustees in 1956. Shares in a 304-acre tract on the eastern edge of the city had been bought by supporters in an earlier, abortive attempt to move the campus. Many of these shares were donated to the college, and by 1958 the remainder were acquired by the college for \$70,000. The land is valued at nearly \$900,000.

In 1960 the trustees brought Dr. Howard in as president. Now 41, he had held the presidency of Palos Verdes College in Rolling Hills, Calif., and had served as executive vice chairman of President Eisenhower's Committee on Government Contracts, which was charged with eliminating discrimination.

The trustees and Dr. Howard were faced with a vital decision in

the following year. Should Rockford College take advantage of the low-cost federal loans for new buildings and make plans to apply for even broader aid contained in bills in Congress, if they should pass?

By an overwhelming majority, the trustees voted this resolution:

"We will not seek direct matching fundings, as provided in pending legislation, nor will we ask for the presently available building loans with their token, subsidized interest rates."

Karl C. Williams, chairman of the board of trustees, told NATION'S BUSINESS:

"The decision to reject federal funds arose from the joint conviction of President Howard and the trustees that Rockford College should remain independent.

"It is not a proper function of government to be involved in private education. Just as in other lines of activity, federal aid destroys initiative and individuality and would inevitably lead to conformity in education. One of the greatest strengths of private education is its diversity and flexibility—its ability to adapt to new circumstances.

"Federal aid dries up private aid in any area," added Mr. Williams, a Rockford attorney and former

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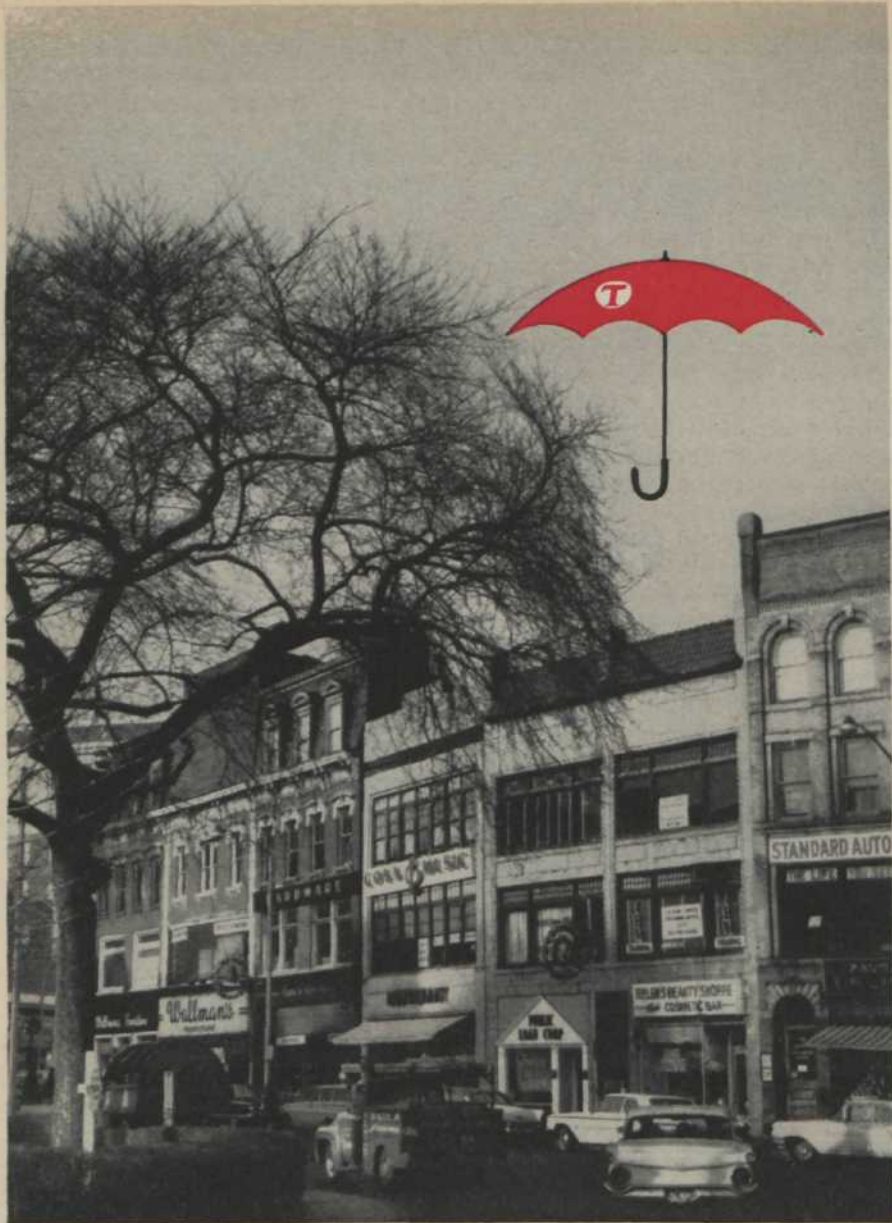
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SUCCESS STORY

continued

president of the Illinois State Bar Association. "I personally believe that it also leads to a dependence upon government and diminishes the assumption of responsibility by an individual or institution.

"We're going down a blind road—politically, economically and sociologically. Perhaps the best place to stop this trend is in the field of education."

Other trustees agree. One of them, Alan C. Mattison, president of the Mattison Machine Works and president of the Rockford Board of Education, comments:

"Federal aid is an awfully expensive way to get money. You simply get back, at 50 cents on the dollar, money you've sent to Washington in taxes."

Another trustee, Hartley Laycock, Jr., of Chicago, a vice president of the Quaker Oats Company, says:

"We felt that by all going to work we could do the job without federal money. If all colleges go to the same source for funds—the federal government—they may find themselves forced to bend their thinking to comply with that of the fellow who holds the purse strings. Each school should be free to have its own ideas."

Dr. Howard adds:

"The fundamental reason for the success of our nation is that we have developed a governmental and economic structure which permits and encourages the individual to rise to his highest capabilities. As we devise group answers to group problems, we seem to destroy the dynamic qualities of the individual person.

"In education, you come to recognize that there is an impact on the student far beyond what takes place in the classroom. All teachers teach more by how they behave than by what they say. This is true of the college itself as well as its individual staff members.

"We try to bear in mind that we're setting an example for our students in formulating trustee policies and in carrying them out through administrative decisions."

END

REPRINTS of "Success Story Your School Can Copy" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from *Nation's Business*, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance with order.



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Cris Robbins, President, Ideal Cement Company

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You can get ahead faster

This advice will assist you in overcoming obstacles to success

"I CAME TO THIS COMPANY," said a dispirited 40-year-old engineer, "because I thought it had a future and I could advance.

"But my department's going nowhere and I'm trapped in my present position. There are already too many chiefs with too little to do. I haven't been able to wangle a transfer to another department. If I move to another company, I'm going to waste another year or two before I earn full responsibility."

In another company, a 55-year-old man whose business career had inclined upward at only a moderate angle suddenly discovered that his management had started a program of hiring recent business school graduates and moving them quickly into positions of authority.

"Now I'm reporting to kids who don't know the first thing about the business," he complained. "Maybe I'm not the greatest in the world, but I thought I'd get a little further up the ladder. But I'm stopped and there's nothing I can do. I can't afford to quit until my boys are through college. And I'm locked in by my pension besides."

A brilliant and youthful vice president of yet another company was taken to luncheon by his boss to discuss his future.

"John," the president said, "you are undoubtedly the best man this company has ever had. You could have my job some day soon. You could probably go on to the top job in almost any company. But you're not going to. Your people hate you."

These experiences typify a problem that every executive encounters, not just once but usually several times, in the course of his working life. He runs up against a roadblock which seems to threaten his career.

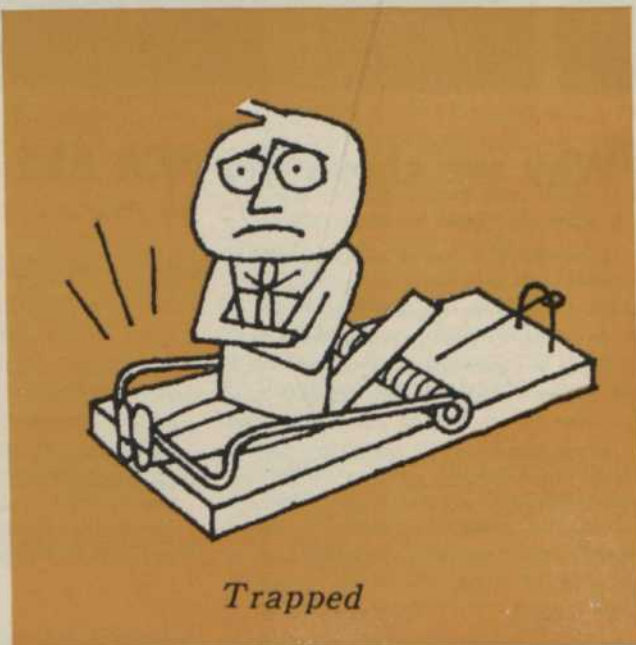
Sometimes the obstacle is created by the man himself or his family. Sometimes it is raised by his company or by others in it. Sometimes it results from a combination of faults and circumstances.

Whatever the cause, the experience is, at best, upsetting; at worst, shattering. Yet it is a normal experience that is usually beneficial in the end because it forces you to clarify your thinking about yourself and it may make you take long overdue action.

What to do

It is easy, however, to overlook the benefits of a roadblock when you are bemoaning your bad luck. Your mind is occupied with only one question: "What do I do now?"

The first step, says Robert F. Moore, senior partner of Richardson, Bellows, Henry & Co., management consultants, is to analyze yourself and the situation you're in. This is going to take time. You need soli-



tude, pencil and a piece of paper. Ask yourself these questions:

What are my objectives? You can waste a lot of time stewing about the roadblock if you don't know what you want in your business life.

Many men, says one personnel consultant, have no goal. Some may admit this openly. Countless others conceal the fact even from themselves. In any case, when such men hit a roadblock, they are usually consciously or unconsciously relieved because they do not want to assume additional responsibilities.

For instance, several years ago when one consultant made his annual appraisal of his own staff, he concluded that one young man, though doing excellent work in his present job, was incapable of advancing further. The consultant expected the man, an eager, energetic worker, to take the news hard. But much to his surprise, the man readily agreed.

"I'd probably have been upset a while ago," he confessed. "But I've been thinking things over lately, and I realize I'm happy where I am."

Many other men do have a goal in life, but it is nebulous. Such men know only that they'd like to wind up in some well paying position in some good company in some interesting industry. They are not definite about which position, which company or which industry. Because of this, they are often badly upset by roadblocks. Their efforts to get around an obstacle may be confused and ineffective.

Such a man was a 40-year-old executive whose only aim was to make a lot of money in marketing, but whose blunt frankness had alienated several of his superiors. The man ranted to his friends about this "injustice." He made spasmodic attempts to get into other companies at the salary he thought he deserved (and which, in fact, he did).

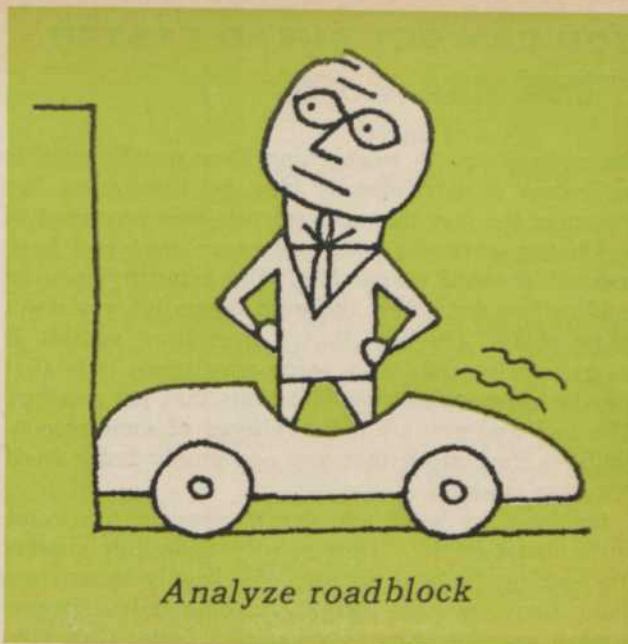
Fortunately, nothing happened. As year followed frustrating year, he grew more mature and philosophical. Partly as a result, he became less outspoken. Then his superiors' objections began to evaporate. He was given new responsibilities and authority. Ultimately he was making the substantial salary that his personal roadblock had long denied him.

The relatively few men who know exactly where they are headed have much less difficulty with roadblocks.

The reason is obvious: To be able to set a realistic goal for yourself, you must understand your own resources and be willing to correct shortcomings. You must know what will be expected of you, not only in the position you are aiming for, but in the positions leading up to it.

One excellent salesman whose objectives were lofty but indistinct failed to consider the time he would have to spend away from home if and when he became a sales manager. Consequently, when he was given that job, he suddenly realized that he didn't want it. But having accepted publicly and enthusiastically, he hesitated to back out.

In establishing an objective, you must also reckon with the competition you will meet, face the fact that there are more candidates than positions as you move to the top. Above all, you must anticipate the problems you will encounter, and be prepared to cope with them.



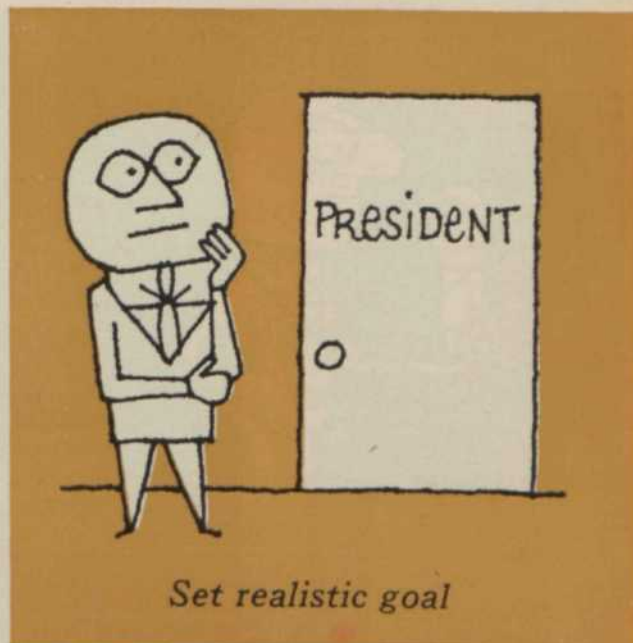
Analyze roadblock

What is the nature of the roadblock? This is another question you must answer when you seem suddenly to have run against a stone wall. "Not everything that looks like a roadblock is one in fact," says a personnel consultant.

Then how can you identify a roadblock positively? Sometimes it's hard.

The outlook may seem black when you don't get a raise or as big a raise as you think you merit; when the boss consistently walks by your desk without looking at you; when you never can get in to see the boss; when your ideas fall on deaf ears.

The truth may be that there is nothing at all wrong as far as you're concerned. Perhaps the company is in a temporary profit squeeze and your raise is only delayed. Perhaps the boss is so swamped by work that he can focus only on his problems. Perhaps your ideas are not presented at the right time or have gone on to a man who is incapable of respond-



Set realistic goal

YOU CAN GET AHEAD FASTER

continued

ing enthusiastically to anything. Even usually reliable indicators of a roadblock may be inaccurate. For instance, the fact that an associate was promoted to a job you expected may not mean that you have reached the end of the line. The company may be holding you for a new and even bigger job you don't know about. The fact that a man from outside is given a better job than yours may mean only that you lack the specific qualifications that job requires. The fact that you are being relieved of some responsibilities may mean that you are simply being freed for other work.

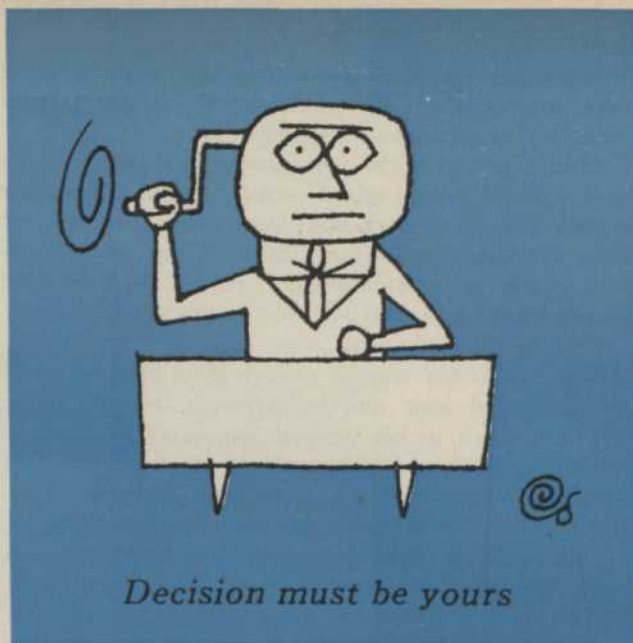
On the other hand, you should accept at face value such obstacles as a permanently dwindling market for your products; a superior who is only three years older than you, his second in command; a power-hungry associate who plays politics better than you; employees who make no bones about telling your superiors that they distrust your motives.

"But even in the face of what looks like convincing evidence, quite a few of us leap to conclusions when some more or less unusual happening seems to block our forward progress," says one businessman. "I've come up against my share of obstacles, and several times, after acting impulsively (though, of course, I told myself I was thinking things through), I've discovered that the obstacles never existed. I hope I've learned that most of the things that look like roadblocks must be checked out calmly and thoroughly before they're definitely labeled as such."

But what if your roadblock is a fact? Then you must continue your questioning along these lines:

What is the present position of the company? How does it compare with competition? What is the condition of the industry? What of the future of my department, company, industry?

What is my present job? If your employer has prepared a complete job description, review that. Other-



wise make up your own description, listing objectives and responsibilities.

Who is the competition within the company? List all competitors. What are their strengths and weaknesses? How do they compare with you and what are their chances? What roadblocks have they encountered?

What has been my progress to date? Has it been marked by genuine accomplishment? What routes have you traveled? Have you come along rapidly? At the same pace as your associates? Slowly?

One company personnel manager believes that the average man moves ahead in five-year steps. If you have been moving at a faster rate, it may be that your present roadblock is a good thing: it gives you time to assimilate what you have discovered, adjust completely to your present job and get ready to move on again.

What are my training, experience, outside activities? Are you deficient in any area? Could you stand broadening?

The public relations manager of a large company some years ago decided that he had gone about as far as he could. So he went to night school for three years to get a law degree. He figured that the additional knowledge might equip him for a job as assistant to the president or chairman. It didn't work out that way, but he did wind up in a newly created position with greater scope and authority.

What are my personal qualifications? Analyzing these is one of the hardest parts of your soul-searching. Although an industrial psychologist says that most men see themselves pretty clearly, it is difficult not to overrate or underrate yourself. And the list of questions you must answer is long.

Your personal qualifications—health, vitality, principles and policies, appearance, manners.

Your personal characteristics—adaptability, perseverance, self-reliance, initiative, loyalty, sense of humor, imagination, enthusiasm, tact.

Your ability—to analyze keenly, speak effectively, write clearly, originate ideas, listen.



Your job—do you understand it, know how to execute it, enjoy it? Are you adequate in all ways? Are you on the right track?

Your working habits—punctuality, accuracy, neatness, thoroughness, follow-through.

Your motivation—does your satisfaction come from economic reward, personal recognition, service to others?

Your executive potential—how do you train others? Do you delegate authority? Are you cost and profit minded? Do you organize well? Are you a leader rather than a driver?

Your human relations—what do the people you know and with whom you work think of you? Are you friendly, cooperative, courteous? Do you inspire confidence? Are people comfortable with you? Do you value people?

Having put down the answers to these questions about yourself, your job and your company, it is possible you have so cleared the air that you can readily see the solution to the main problem:

"What do I do to get around the roadblock I've hit?"

Value of advice

If you are still uncertain, the next step is to talk to a wise counselor. (This, incidentally, is a sound idea even if you are sure of where you stand and what you should do; an outside viewpoint is always helpful.)

The counselor may be your wife, a personal friend, a business friend, a former teacher or guidance counselor. Sometimes you can talk with a superior, but unless you know that he is a man who deals with others sympathetically and objectively, this may involve some risk.

If the answer is to seek a transfer to another department, join another company or go into business for yourself, you should, like any man moving into a new field, analyze the organization or business you want to get into.

Your answer may be to stay put. Perhaps your study and consultations show that your roadblock is only temporary and that, after a period of marking time, you will start moving ahead again. On the other hand, perhaps you must face the fact that you have finally reached the limit of your abilities. You may be unhappy and restive from time to time in the future; but deep down you may feel some relief that your struggle is over and that from now on you can do what you know you can do as well as you can.

Or your answer may be to undertake a self-improvement program which will correct the personal faults and deficiencies that raised the roadblock in the first place.

Roadblocks are rarely pleasant. But if you look at them as a challenge rather than a defeat, you should be able to turn them to your advantage.

—STANLEY SCHULER

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Here's next round in water fight

New standards used to justify
water projects will be challenged

ANOTHER CHANGE is under way in government controls that could open the flood gates to lavish and wasteful new spending programs.

The change involves a new set of standards used to justify federal water projects.

Critics of the looser standards fear the action could lead to unchecked expansion of dam projects and other water-use programs. Waste could run into billions. Objections also are raised on the ground that government competition with business would increase.

Specialists also think the way would be open to waste of our water resources.

This controversial issue will come up in this Congress. Opponents of the new standards will challenge the way the executive branch determines the economic feasibility of proposed water projects.

Taxpayers spend nearly \$1.5 billion yearly on federal dams and other construction designed to produce power, irrigate farmlands, improve river navigation, boost municipal and industrial water supplies, curb pollution, control floods, prevent soil erosion, develop recreation facilities, and preserve fish and wildlife. Such projects affect every state in the union.

"I am introducing a resolution which will permit congressional review of this vital area," Democratic Sen. William Proxmire of Wisconsin told NATION'S BUSINESS.

"It is crucial that these loose standards be exposed so that the

nation's taxpayers are no longer misled by phony benefit-cost ratios into believing that their money is being used wisely.

"The use of inadequate standards of economic feasibility can result in staggering amounts of wasteful and unjustified spending on water projects. As long as these standards remain so loose there can be gross misuse of the citizen's scarce tax dollar among alternative government uses and even between competing water projects. Inexcusable misuse of the nation's scarce water resources can also result when such inadequate standards are used."

A critical factor in determining whether a proposed water project will be built is the way it measures up against criteria established by the executive branch. Costs of the project are balanced against the expected benefits to produce a benefit-cost ratio. If the benefits equal the costs, or are greater, the project is considered feasible.

The benefit-cost ratio is used by federal departments in submitting projects to Congress for authorization and appropriation of funds, and is also weighed by Congress in deciding whether to grant them.

New criteria

Since 1952 the criteria used were set out in a statement drawn up by the Bureau of the Budget, referred to as Circular A-47. Now it has been replaced by significantly modified criteria drafted at President Kennedy's request by a committee representing four departments in-

involved with water projects: Interior, Army, Agriculture, and Health, Education and Welfare.

A difference in the fundamental approach is evident. Circular A-47 was aimed at "establishing priority for projects yielding the greatest value to the nation, and securing effective resources development at minimum necessary cost."

The current set of standards cites three major goals: national and regional economic development; preservation of resources, including natural recreational areas; and "well-being of all the people."

Critics charge that the new document, with its lack of emphasis on efficiency and economy, is more a platform upon which project justifications can be built than a standard against which the merits of proposals can be measured.

These criteria, they say, will make it much easier for the Administration to justify new water projects and an expanding federal role in this important part of our economy.

Significant changes include:

1. The top limit of the time period used in analyzing the feasibility of a project in terms of its economic life has been raised from 50 to 100 years.
2. Secondary benefits—those which result indirectly from a project—as well as intangible benefits based on "satisfying human needs and desires" are to be taken into account in calculating the total benefits of a project. Formerly, projects were judged primarily on the basis of primary benefits—those gains, assets



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2. Too much masonry showing to be a Butler building? Wrong again. The basic building, structurals and roof, are indeed all Butler. The masonry is only a non-load-bearing curtain enclosing the building. Inside you get clear spans up to 120 feet wide, uncluttered spaces, freedom to use any curtain wall material—and fast construction. Butler buildings go up weeks, sometimes months faster. The Butler roof is so outstanding it's guaranteed 20

years with no maintenance obligation on owner's part.*

3. Here is conventional curtain wall material combined with a Butler Monopanl wall system. With the exception of the tile facade, these are primarily Butler components . . . structurals, wall system and roof. Generally speaking, the more pre-fabricated components specified, the more the inherent advantages accelerate. That's because more of the parts were made for each other.

4. Guess this as a Butler building? Right! It's 100% Butler, with a new wall system not shown on the other structures above. Butler Modular Wall system . . . elegant four-foot wide panels with built-in doors, windows and aluminum trim. Notice how beautifully it blends with Butler Monopanl. Here you get the ultimate benefits of pre-fabrication—precision, quality, economy and beauty.

Beautiful building, and a beautiful buy. Quality for quality the Butler building is lowest in ultimate cost—original cost plus the cost of maintenance.

Phone your Butler Builder. He's in the Yellow Pages under "Buildings" or "Steel Buildings." Ask about Butler's finance formula for progress, terms up to 10 years.

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WATER FIGHT

continued

or values resulting directly from a project.

3. Benefits from improving recreational facilities and preserving fish and wildlife are raised to an equal status with other benefits such as electric power, navigation, flood control, and irrigation. Recreation, fish and wildlife benefits earlier were treated as incidental.

4. More importance is assigned to federal hydroelectric power. The new standards state that "long-range power needs, in the light of generally expected economic growth of an area, may justify measures initially to insure later availability of the full power potential." In A-47, public hydroelectric power was considered largely in comparison with "the cheapest alternative source of energy."

5. Tax loss is generally not included in figuring project cost, although it was added in before. It is still to be used in computing the value of benefits.

6. Improvement of domestic, municipal and industrial water supplies has been considered "primarily a local and state responsibility." This distinction is not made in the new standards.

7. Redevelopment benefits will be figured into benefit-cost ratios where projects are proposed for depressed areas. This was not considered before.

Democratic Sen. Clinton P. Anderson of New Mexico, chairman of the Senate Interior and Insular Affairs Committee, says the new standards will "place federal water resource project proposals in a realistic and forward-looking context that will enable both the executive and the legislative branches to make informed judgments of the merits and desirability of the projects."

"Thus a significant advance has been made in the resources field. As a consequence, it will be possible soundly to devise, authorize, and execute the large programs that are urgently needed to match water supplies to the water requirements of our rapidly growing population and expanding economy."

Easier to calculate

Broadening the benefits which are counted, raising the time limit to 100 years, and omitting tax loss as a cost will make it easier to calculate a favorable benefit-cost ratio for a proposed project.

This is a vital concern of such people as Rep. William C. Cramer, Florida Republican and a member of the House Public Works Committee. Representative Cramer declares:

"This is just another New Frontier gimmick for making gray look like white and black look like gray when it comes to cleaning up previously unacceptable projects. Changing the criteria will get the federal government into projects it otherwise wouldn't be in."

"It also makes it easier to justify public, as opposed to private, projects. There has been a great push by public power advocates in this Administration, and one objective of this change is to weight the scales in favor of public power."

Who are the men picked to speak for the public in labor disputes? What are their views? Their background is disclosed in article on page 56

"Many projects that have been judged economically unfeasible or borderline cases can be made to appear acceptable by adding secondary benefits which were marginal or not even considered in the past."

"It puts the government in a more favorable position in competing with private enterprise."

"Congress should make its own decision on what criteria are to be used, and I plan to consider introducing legislation setting forth proper standards. I also expect to examine witnesses on these New Frontier criteria."

"I've been very disturbed by the degree of political decisions being made and pressure exerted for project priority in politically favorable areas. This will increase as more projects can be brought up with acceptable benefit-cost ratios."

An illustration of how the change in criteria can give an acceptable benefit-cost ratio of 1.00 or more to a previously unacceptable project is supplied by Senator Proxmire. Over the strong protests of the senator, Congress last fall voted to appropriate funds for the \$60 million Glen Elder dam and irrigation

project in Kansas. According to Senator Proxmire's calculations, the project had a benefit-cost ratio of only .93 when figured on a 50-year basis. This is raised to a favorable 1.18 by boosting the time to 100 years.

On the other side of the debate, the National Reclamation Association sees merit in broadening the benefits considered and raising the top limit of the economic study period to 100 years. The Association has long favored these changes, although it has not yet taken a position on the entire set of new standards. Its conclusions are based on reclamation projects and not on the federal water resources program as a whole. William E. Welsh, secretary-manager of the Association, says:

"There are many members of our Association—men who have been vitally concerned with water resource development, particularly reclamation, over a long period of years—who are of the opinion that the time has come when we must look far beyond the increase in net income to the irrigators in the justification of reclamation projects."

"We must give full credit to all benefits, direct and indirect, tangible and intangible, which accrue to the region, the state and the nation."

No obsolescence

On the question of the time factor, he adds: "There are at least 21 federal reclamation projects throughout the West which were authorized in 1907 or before. Not one of these projects is showing signs of being worn out or obsolete."

The whole question will come before the Congress. Senator Proxmire points out:

"There are many alternative criteria which can be used for the purpose of determining the economic worth of water resource development projects. Since there is no objective approach to be used in determining which are the most legitimate, it is crucial that these standards be made, or at least reviewed, at the highest policy-making level."

"This means that the Congress as a whole should explicitly consider this matter and make the necessary choices, rather than letting the loose administrative standards remain in use by default."

"The failure of Congress to exercise its responsibilities for legislative review in this matter can result in wasteful spending running into the billions."

END

WORLD BUSINESS: HOW IT AFFECTS YOU

ANOTHER IN A SERIES OF REPORTS BY THE ECONOMIST INTELLIGENCE UNIT OF LONDON,
LARGEST PRIVATE INTERNATIONAL ECONOMIC RESEARCH AND FORECASTING ORGANIZATION

YOU'LL FEEL IMPACT OF CHANGE IN EUROPE

UPWARD PRESSURES on costs and prices in the European Common Market will continue through the next few years.

Over-all industrial costs in Europe are rising at a time when world raw material prices are falling and when a number of semifinished goods are also somewhat cheaper for Common Market users due to reductions of tariffs within the Market. These duties on industrial goods are now only half as high as in January 1958. In mid-1963 they will be down even further. So the main cost factor is labor, which is becoming more expensive throughout the Common Market.

For United States business the European wage-price spiral will have a number of important effects.

The European market for U. S. manufactured goods may widen. Although tariff discrimination gives a competitive advantage to European products, the direct advantage of substantially lower prices will tend to weaken.

In some countries, notably Belgium and Germany, it may become harder to sell capital equipment, not because European suppliers can underbid—which becomes increasingly difficult—but because of the cutback in capital spending following the squeeze on margins. In Italy, however, American suppliers should have a chance to beat the Germans.

In consumer goods U. S. producers will have to wait for some years before European prices rise to the American level. In industrial materials fiercer competition between European producers will not help American firms.

As for sales in the U. S., it is likely that European exporters will be careful, in more critical sectors such as automobiles, not to pass on higher costs. In fact, with a slight decline in German export orders, competition among European producers in the U. S. market may increase. Luxury imports from Europe—clothing, shoes and furniture, especially from Italy—all are expected to be more expensive.

In third markets the competitiveness of European products will depend on how successful producers are in holding their prices within reasonable limits in 1963.

In Germany the increase in wage rates for 1962 was about 10 per cent above 1961. Because of an acute labor shortage workers have been attracted from Italy, Greece, Spain, and even from Japan. Wage costs per unit, however, have not grown at the same speed as wages since productivity has been running about five per cent higher than in 1961, and overtime is down.

Estimates for France indicate that wage earnings in 1962, after taxes, were 11.2 per cent higher at the end of the year than in December 1961. Total labor costs to industry have risen even more—the fastest rate of annual increase since 1958. French industry, however, is not as critically short of workers as is German industry.

Even in Italy the surplus of labor in the south is being absorbed; already skilled men are in short supply. This fact was reflected in a long series of strikes and disputes which are only now ending. Minimum contract wages in industry had been pushed up by almost eight per cent in October 1962 compared with a year earlier, but the real increase in wage costs was probably more than 10 per cent.

In Holland and Belgium, workers



Europe's wage-price spiral could widen market for American goods

are scarce and wages have risen. Belgium's rates have been among the highest in Europe for several years.

Naturally enough, West Europe's prices are showing signs of strain. But in 1962 the whole cycle of wages, production costs, prices, and the general cost of living (which in turn reflects on wages, in the form of claims for higher wages or automatic wage adjustments, as in France) was complicated by the poor 1961 harvest.

High food prices during the first half of 1962 reacted directly on the cost of living, and so on wages. During these months most of the rise in the cost of living stemmed directly from higher prices for food, so that when 1962's bumper harvest started coming to market, cost-of-living indices dropped a few points.

In all Common Market countries except Holland the cost of living had risen some three per cent by last August. Government action has tended to keep Holland's prices fairly stable. In Italy, however, the benefits of lower food prices were offset by a steady upward movement in the cost of services, the worst being rents and housing. Prices of goods also were increasing.

By mid-1962 consumer durables were 10 per cent more expensive than at the end of 1961.

Caught between the upper millstone of higher wage costs and the lower millstone of stronger competition, due to reduced tariffs on imports from other Common Market producers, industry outside Italy has tried to keep prices stable. The pinch has been felt in the grinding down of manufacturers' margins.

There have been some mitigating factors. French price increases have been kept to the minimum since 1958 and industry has aimed at higher productivity with greater turnover arising in a booming domestic market. Here industry has been successful in improving productivity to the extent that margins have not been so hard hit as to stop investment in new plant and equipment.

From December 1961 to October 1962 retail prices rose by just over three per cent. However, the latest survey of business opinion shows that some 30 per cent of French industry expects to have to raise prices soon. Automobile prices already have been increased, following boosts in steel prices.

German manufacturers have managed to maintain fairly stable prices and hope to continue to do so during the early months of this year. But this stability has been dearly won. Like the Netherlands, Germany

revalued its currency in 1961. This meant that export prices rose while imports were relatively cheaper. Although the direct effects of the revaluation had largely worn off by the middle of 1962, manufacturers were very chary of raising prices. Lower Common Market tariffs did not improve the position.

So, although German producers were faced with considerably greater over-all costs, exceeding the pace of improved productivity, they were left with no choice but to keep prices firm.

This point was rammed home in exhortations from Minister of Economics Ludwig Erhard.

In general, German industry, like that of the Netherlands, has absorbed its higher wage costs in squeezed profit margins. What was sacrificed was spending on capital equipment on which it can perhaps afford to economize for a year or so, but which could prove disadvantageous in the mid-sixties.

The over-all pattern is one in which rapid, domestically generated growth is giving way to a slower pace of development. In Germany and Belgium internal demand has not slackened appreciably but the ability of national industries to exploit their situation fully is seriously weakened by the growing share of turnover which is absorbed in wages.

Labor's increasing share in in-

dustrial prosperity has put Belgian, German, and some French products in the top bracket of European prices.

Countries where the cost of labor is cheaper—Italy, to some extent the Netherlands, and parts of France—have strong competitive advantages, but even here the movement of labor costs and prices is inexorably upward.

In France there is still some margin for maneuver because productivity has held fairly close to wage increases, and it is expected that this balance can be roughly maintained until perhaps 1965, when costs and prices must reach the level of those in Germany.

In Italy, industry still has plenty of room to breathe. Labor costs are not only lower than elsewhere, but have increased no faster than productivity. At the same time domestic demand is growing more rapidly than in any other Common Market country. Manufacturers can afford to raise wages for a few more years.

By the late 1960's, however, even Italian labor can be expected to be taking as big a share as German labor, and by then European costs and prices should have reached a rough general stability. The next trend will then be a gradual move towards U. S. standards.

GLOBAL TRADE TRENDS

Most commodity markets were unaffected by the Cuban crisis, but the shock administered to the free world may stimulate concerted action to fend off a world trading recession. . . . As things stand, many export markets for your products in the less-developed countries may remain poor for some time. This goes for most of South America, where economic crisis will persist in spite of the Alliance for Progress, and in India, whose defense troubles will affect an already bad foreign exchange situation. . . . Rising costs in Europe could mean that if you have felt

the effect of European competition in these markets, you may find yourself in a better position soon. Once again it looks as if the developed countries will provide most scope for market expansion. . . . Sales to Europe could become easier and Japan's exports have been rising again, giving more room for maneuvering there. . . . Exceptions to the general picture: Venezuela's rising oil revenue means more money for industrialization and imports of capital goods; Sudan's new plan gives scope for textile, mining and paper-making machinery.



MIDDLE EAST: OIL STRENGTHENS GENERAL PROSPECTS

THE MIDDLE EAST is still a big market for your business—and it could be bigger yet.

American goods and technology have all it takes in quality and know-how and the region still has great and growing needs. The two can match. But today, more than ever, Middle Eastern politics and economics call first for a cool appraisal.

Last year was a turbulent period;

WORLD BUSINESS: HOW IT AFFECTS YOU

continued

the turbulence has been less dramatic than the last wave of violent change when, in 1958, Egypt became wedded to Syria, Kassem's revolution toppled the Iraqi monarchy, British troops flew into Jordan and a flickering, bickering internal struggle drew U. S. Marines into Lebanon. But the events of 1962, too, contain seeds which could blossom into major changes. Only full awareness of such change will enable your business to keep—or get—its share of Middle East business.

An English writer has said the unexpected happens so often in the region as to free you from the bondage of making plans. This attitude will not do for the businessman.

If the unexpected comes up, he must have guidelines to meet every possible contingency.

These guidelines must cover politics.

Middle Eastern political changes often involve attitudes toward the West, especially the United States, which can have a commercial effect, as can intraregional prejudices which must be understood. Unfortunately, these shift. Almost the only unvarying factor is the Arab states' stand on matters involving Israel—but what else can be detected as constant in the turmoil of the Middle East?

To understand this, look at the present pattern of political change, which really began in mid-1961 when Kassem made his claim to Kuwait. This first drew in British troops and then an Arab League force whose support by Egypt drove a wedge between Cairo and Baghdad and the first nail into the League's coffin, since Iraq virtually withdrew from that body.

A second major event was Syria's divorce from the Egyptian union, motivated by President Nasser's overclose embrace and his rapid moves to socialize the United Arab Republic.

Since then, Syria has had a second military coup and a succession of governments veering from right to left, with the only stabilizing factors a determination not to remarry with Egypt and the good crops and more thriving economy of the past year.

The open quarrel between the

two former partners has since been disastrous for the Arab League, which may now break up, and the breach between Syria and Egypt has become a more general division between Cairo and the Asian Arabs, divided in their turn between republican (and cooperating) Syria and Iraq and royalist Jordan and Saudi Arabia (now joined in a military alliance).

The battle has been transferred to the Yemen, where the reactionary Imamate was overthrown last September by pro-Nasser army officers and where something of a trial of strength is now taking place between Jordan and Saudi Arabia, on the one hand, and Egypt on the other.

What guidelines are there on a map so confused? First, it is evident that Arab unity is less probable than ever. There are many internal stresses in this stressful area. The businessman must deal with each country as he finds it, sell his goods and his skills on an honest commercial basis and not express his views on Kuwait in Iraq nor on Syria in Cairo nor on the Yemen in Jordan.

Secondly, however, it is equally clear that Arab nationalism, which carries in its wake republicanism and an ill-defined reformist socialism, is still the driving, even if not a unifying, force. Despite the Syrian setback, Nasser is not played out; any fresh changes are likely to be toward, rather than away from, his standpoint.

The Yemen revolution has damaged the British position in Aden; the breakoff of relations with Cairo and defections from his family and air force have not strengthened King Saud.

Weakened by a Kurdish revolt and his habit of playing off opposing groups, General Kassem does not enjoy permanency in Iraq—but would certainly be succeeded by a socialist-nationalist regime.

Yet the spread of Arab nationalism and socialism need not be fatal to Western business; its attitudes toward the U. S. are cool, but it is not necessarily procommunist. It will accept aid from both sides and, above all, it is willing to deal on a purely commercial basis. Britain and the U. S., for example, are still the biggest suppliers to Iraq. American aid will continue in the Yemen, and American links with Egypt are tightening.

In all this, despite frequent attacks on oil companies and General Kassem's expropriation of most of their concessions in Iraq, the oil

industry remains a stabilizing influence. It provides the sinews, if not of war, at least of commerce. Though slowed by 1960's cut in price, revenues received by the producer countries are still rising. They totaled nearly \$1.5 billion during 1961.

The 1962 figure, not yet final, will be even larger—for production, despite world overcapacity, surged by nine per cent in January-September 1962 against the same period of 1961.

It is this wealth and its overflow into the emerging states which gives the Middle East its power to foot a growing import bill and finance government development programs in Iraq or Iran, Saudi Arabia or Kuwait.

The Organization of Petroleum Exporting Countries, in which Venezuela, Libya and Indonesia are joined with Middle East producers, is demanding higher prices and separate royalty payments. Whatever happens, the oil companies must make some concessions, and the Middle East's capacity to buy can only rise. Even in Iran, which overspent its foreign exchange and has had to apply severe import restrictions, this position is only temporary. The powerful economic support of oil is, in the long run, the best guarantee your business can ask.

WHY RUSSIA MAY BECOME TOUGHER TRADE ADVERSARY

PROFIT's unexpected rise to popularity in the Soviet Union could bring more troublesome Russian competition in world markets.

For two years Soviet economists have been discussing what's to be done about Russian industry—sprawling, wasteful and not growing according to plan. They came up with a revolutionary answer: For communists as well as for capitalists, profits can be a measure of industrial efficiency. Profits help industry grow.

Professor Liebermann of Kharkov University, for example, last fall suggested that an industrial enterprise no longer be judged solely by how it fulfills physical production plans.

Instead, state enterprises should be given greater freedom, allowed to build up funds to finance their own development, and their reward should be measured by the ratio of profits to the value of capital assets.

Not capitalism by any means, but not communism as we have known it either.

Some of Professor Liebermann's fellow economists have gone further. Comrades Birman and Belkin proposed in *Izvestia* that all state enterprises be required to make a certain profit on every ruble invested in them.

If they made more they could do with it what they wished—invest it, or share it among the workers. But this was going too far.

Now Chairman Khrushchev has stepped in. He proposes a big reorganization of Soviet industry. Much of what he says is familiar—more centralization, better control. But he says, too, that factory managers should be given greater freedom to settle the level of output and the price at which it is sold. To see they make good use of this power, the Communist Party elite



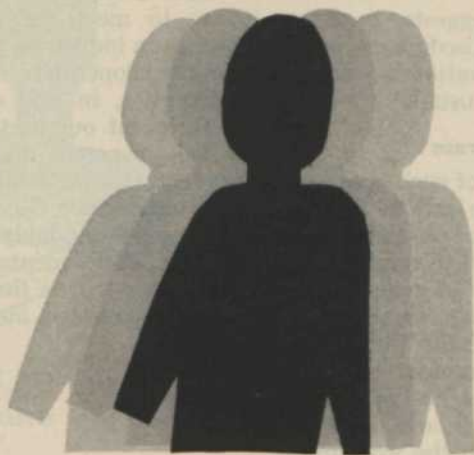
Profit motive is new incentive for industrial managers of Soviet Russia

is being divided in two, one group to look after agriculture, the other to spur progress in industry. Instead of the old Jack-of-all-trades, the new-model communist will be a specialist, keeping up the pressure all the time. He also has a chance to profit. The industrial specialist will be competing against agricultural leaders to get a bigger share of state funds for the enterprises he's watching.

The Soviets are in fact going to start setting prices, not where Marxist theory says they should be, but where costs and profits put them.

The first person to be affected is the factory manager, the second the Russian consumer who may, at last, begin to get some of those luxuries he's been promised so long. And after that, a Russian industry which can really compete on price, backed by all the resources of that huge country, may begin to look for profits abroad.

END



How Many People Are You?

A favorite indoor sport of psychologists and sociologists these days is analyzing the American Businessman. One principle finding seems to be that he has a "fragmentized personality."

Sounds foreboding, but it simply means the typical businessman tends to play several different roles . . . in his business, and in society generally.

You know how it is. In business you are a combination accountant, salesman, teacher, manager, besides being an expert in your particular line or profession.

At home, and in the community, you might be a father, mechanic, gardener, church-goer, citizen, voter, taxpayer, and a host of other things as well.

But you can get a lot of these fragments together, by working with and through your local chamber of commerce. The local chamber can put your many talents to work on valuable goals that affect your home, your business, and your community . . . all at the same time.

Try this "defragmentizing" process. When you get all your personality parts pulling together on a chamber project you gain a real sense of accomplishment.



Pete Progress

Speaking for the local Chamber of Commerce in your community

GROWTH POLICIES

continued from page 33

another source suggests, to determine whether it discourages costly research and innovation by encouraging business as usual.

New federal program

Besides reviews of such questions, the Administration will be pushing a detailed program it claims will foster greater use of technology and increase the supply of qualified personnel for industrial research, plus a broad review of the bottlenecks in the civilian economy.

By using devices like operations research techniques and applying systems analysis to the working of the economy, this effort would seek to identify areas in particular need of research—the problems and opportunities.

Mr. Michaelis fears that this could be attacked as a trend toward centralized economic planning by a group of self-anointed government geniuses.

"This would be repugnant to our free enterprise system," he declares.

Such an impression would be fatal to the entire civilian technology program, he believes.

The goal, he says, is to insure that the free economy operate best by improving to the greatest extent possible the technological environment in which management decisions are made.

Other parts of the proposed new government program sponsored by Dr. Hollomon would include these federal actions:

1. Development of an industry-university extension service with grants to universities so they could acquaint themselves further with the research needs of business and inform industry of current research. Mr. Stern concedes that this is now being done but argues that it must be expanded.
2. Support, through research grants, of work at universities to develop more trained teachers in industrial subjects and potential employees for industry.
3. Stimulation, through contract support, of the expanded use of industrial research associations.
4. Improvement of technical information services by increasing the abstracting, indexing, translation and dissemination of technical information to industry.

The research activities would be those which could not be financed by individual firms or groups, like trade associations and professional

societies, and would develop knowledge capable of being applied industry-wide.

Backers argue that this must be done to meet the competition of European industries that profit from similar cooperative research.

Skeptics, in and out of government, point out that some collaborative research done in Europe concentrates on matters of secondary importance because individual firms understandably still keep top-drawer developments to themselves.

Another fear is that the program would encourage industry increas-

Government-business relations are sometimes strained, but their views are in accord more often than many realize. For a rundown on the areas of cooperation, turn to "Where Businessmen Support Kennedy," on page 34

ingly to leave research to the government.

Mr. Michaelis claims that this concern is unwarranted since the goal is to upgrade research generally and not usurp company efforts to keep ahead of their competitors. By upgrading the general level of knowledge, he says, individual firms would be encouraged to increase their own company-financed innovative activities.

He argues that careful selection and administration of federally supported research programs should overcome the objection.

Underlying the administration effort is a concern that American industry, which through greater productivity has maintained a favorable balance of trade despite lower wages abroad, may lose this comparative edge as foreign competition reaches a higher level of technology. This could be particularly aggravated as the Common Market countries gradually gain the benefits of freer trade.

Backers of the program note that roughly 65 per cent of American research and development is in space, defense and atomic energy, which, despite their potentials, are not directly aimed at economic growth.

In Germany, by contrast, some 95 per cent of the research and development effort is in the civilian sector and the percentage in Japan is even higher.

Despite the large increase in company-financed research and development in absolute dollars here, the proportion for economic versus non-economic purposes has reversed in the last eight years.

The idea of a government review of its policies is supported by Francis K. McCune, the General Electric Company's vice president for engineering services. He sums up the problem this way:

"People—and nations—being what they are, you have to grow economically or get swallowed.

"The growth of the economy is harnessing more 'ability to do' to meet customer needs."

But making innovation pay off, he cautions, is a complex process of matching customer demand with industrial capability which must draw on scientific knowledge, engineering ability to use it, plus industry's vast background of experience.

The demand-ability equation in the civilian economy has been thrown out of balance by government's demands as a major customer on industry's capabilities.

The economic problem now, he says, is to create either new civilian demands or industrial capabilities, which he doubts that government can do directly. "There is no shortcut in injecting technology into the basic economic cycle," he explains.

But he agrees that government policies all have effects on customer needs and abilities to finance them.

If thousands of thoughtful, intelligent businessmen are wrong in failing to keep abreast of the latest technology, he argues, some agency the size of government must go beyond possible resistance to examine such other barriers as slack customer demand, government "thou shalt nots," and the whole range of factors influencing industrial capability.

"We need a broader understanding," Mr. McCune says, "of the process by which we use more research information.

"We need to look at the whole environment in which the entrepreneurial spirit operates." **END**



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THE NATIONAL CHAMBER'S 51st ANNUAL MEETING WILL DO THINGS FOR YOU

Pick any session you like at the National Chamber's 51st Annual Meeting in Washington, April 28 to May 1, and look around. We predict that you will find few, if any, vacant seats.

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You will find this to be a colorful, exciting, stimulating, informative, meaningful and important event—the atmosphere electrifying, the interest great, the enthusiasm high.

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- It will give you an opportunity to see, hear, and to talk with America's topmost leaders in business and government.
- It will give you a firsthand, authentic picture of today's trends and developments in business and government.

- It will give you a better understanding of the big national issues and problems of 1963, and of today's economic and political forces affecting you in business.

- It will give you information, ideas, background and perspective which you can use in making your own plans for the future.

- It will give you an opportunity to help the organized business movement make its basic plans and set its course of action for the year ahead.

You will be glad you came—and we will be, too.

For further information—and for a list of those in your community who are planning to attend—get in touch with your local or state chamber of commerce. Or write:

CHAMBER OF COMMERCE OF THE
UNITED STATES / WASHINGTON, D.C.

MISLABELED BILLS

Sponsors coin attractive catch phrases to sell controversial legislation

YOUR CONGRESSMAN is now involved in one of Washington's trickiest games—legislation by label.

Backers of new bills—whether in the White House or Congress itself—have long recognized that an attractive label is a big help in selling a piece of legislation. The Eighty-eighth Congress has its share of catch phrases designed to appeal to lawmakers or unwary voting blocs.

Proponents obviously gain a head start when they can devise, and win widespread acceptance of, an appealing label for their proposal. Opponents are at a disadvantage in arguing that the legislation, despite its alluring title, should be rejected.

Take medicare.

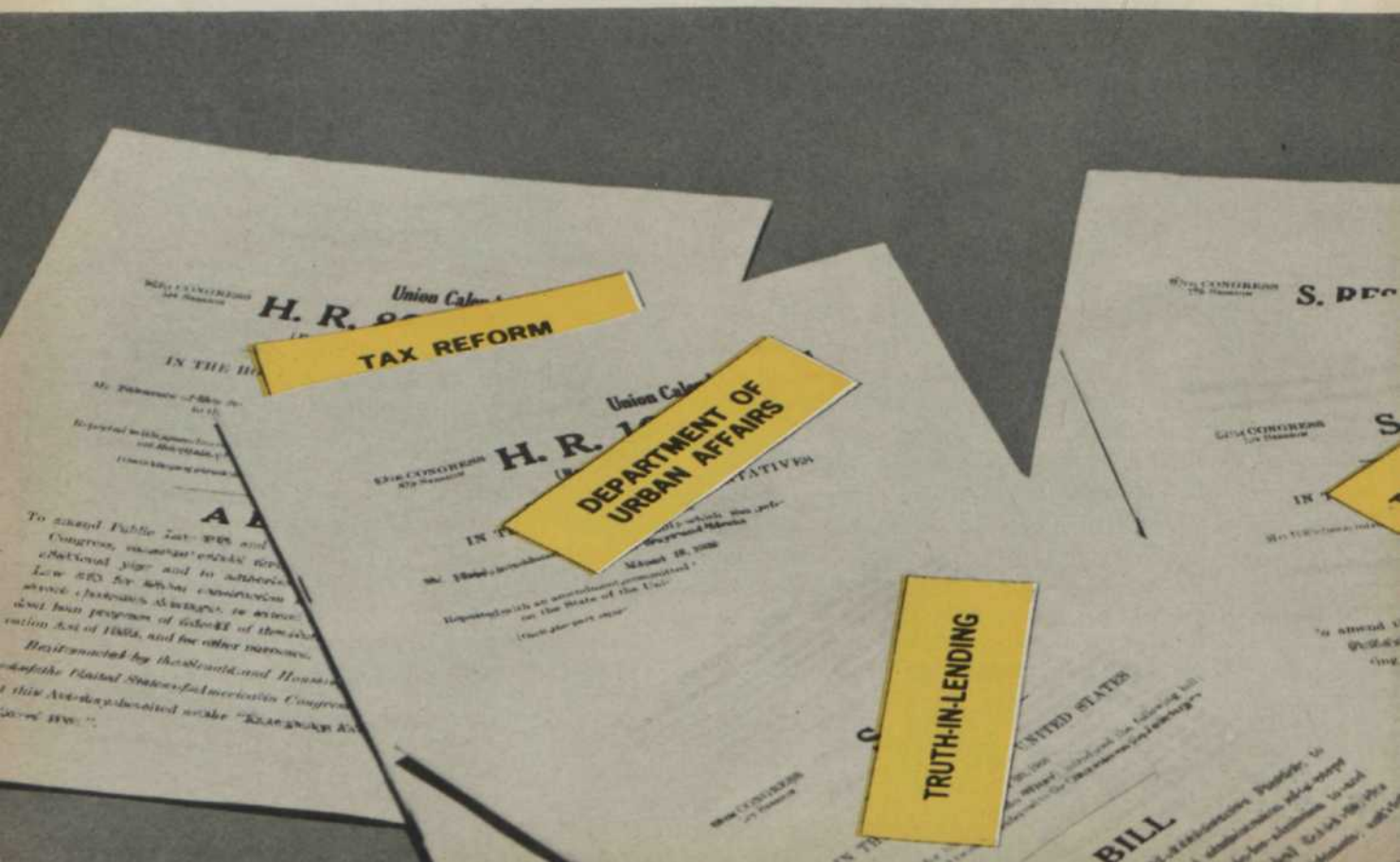
During the past year backers succeeded frequently in pinning this label on President Kennedy's proposal to increase social security taxes to provide partial payment of some hospitalization and nursing home care for some persons over 65.

The label is, of course, not descriptive since it implies medical benefits the bill does not contain. The term medicare originally was coined by the military to describe the comprehensive program of medical care and hospitalization started in 1956 for wives and children of military personnel.

Ironically, the term was first purloined from the Pentagon by an Eisenhower cabinet officer intent on blocking the social security approach to hospital benefits. When Welfare Secretary Arthur S. Fleming presented to Congress in 1960 the Eisenhower Administration's ill-fated alternate plan, he termed it "a program of medicare for the aged."

Now the same catch phrase is the rallying call of some senior citizen groups which, with labor unions, are spearheading the drive for President Kennedy's program.

In the dictionary of national politics, euphemisms abound. Military conscription is selective service. It's



MISLEAD VOTERS

tax reform if it benefits your group, but it's a loophole if it helps the other fellow. A subsidy is called an incentive payment, differential payment, allowance, or compensation.

Washington is a place where not too long ago some dairymen were proposing a "self-help" plan which would have been underwritten with \$300 million from the U. S. Treasury. It's a place where the headquarters for price control during the Korean war was called the Office of Price Stabilization.

With only mixed success, Presidents Truman, Eisenhower and Kennedy all have used labels designed to build a favorable public image for the multibillion-dollar foreign aid program. For a time it was the mutual security program. But the press and almost everyone else went on calling it foreign aid.

A pair of more recent examples, certain to be issues again this year, involve the word truth.

First is a bill by Sen. Paul H. Douglas, Illinois Democrat, and some other Democratic senators, with Administration backing.

One witness testifying before Senator Douglas's committee last spring complained:

"The title, 'the truth-in-lending act,' tends to prevent honest men from discussing a complicated problem. The advocates of this bill have no monopoly on truth or the desire for truth."

Similarly, manufacturers and food processors object to a bill labeled truth-in-packaging, which Sen. Philip A. Hart, Democrat of Michigan, is sponsoring with the support of some other senators.

Consider this pair in detail:

Lending controls

State laws now regulate interest rates on personal small loans and on retail charge accounts. Generally, they require that the monthly rate of interest be stated. But there is no requirement that the customer be told what the carrying charge would be if computed on a simple annual rate.

For this reason Senator Douglas contends that consumers are misled about the cost of installment buying. He maintains that differing installment buying plans defy comparison.

He wants federal law to require that the cost of all be disclosed in terms of the effective annual rate.

In 1960 Senator Douglas introduced a proposed "consumer credit labeling act" and his banking subcommittee held hearings. In 1961 he reintroduced the bill, rechristened with a more tempting title. Now it was the truth-in-lending act.

But some critics say a more apt title would be the "Credit Proportion Distortion Act."

Senator Wallace F. Bennett, Utah Republican,

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MISLABELED*continued*

led the opposition. He argued that the bill would reduce, rather than increase, information given to the installment purchaser.

He predicted that the measure would drive underground the cost of installment buying. That is, a few retailers might increase prices of their products to cover all, or part of, their credit cost and claim to levy little, if any, credit charges.

Retailers who offer revolving charge accounts complained that it would be virtually impossible to calculate the effective annual interest rate for each new purchase. For example, on accounts for which the carrying charge is 1.5 per cent on the unpaid balance at the end of the month, they said, the potential annual interest normally would be considerably less than 18 per cent, the maximum amount.

Last spring Senator Douglas responded to this objection with an amendment. He revamped his bill to sanction overstatement of the effective annual interest rate rather than require a precise statement of the rate.

"What kind of truth is that?" retailers protested.

Packaging control

Meanwhile, Senator Hart was holding a much-publicized Senate investigation into complaints that shoppers were being deceived by some packaging and labeling practices of suppliers of grocery items.

First, the general reaction of industry was to take a self-critical look at its packages, even though individual company spokesmen insisted that their firms had received few protests from housewives. Trade magazines reported that consumer-product packers were taking the initiative to set standards above criticism.

Second, the Food and Drug Administration, which for years has been charged with preventing deceptive packaging by the food industry, apologized to the senators for not doing a better policing job. It said it was now giving more attention to this field and could do a still more effective job if given more money.

Moreover, the agency reported that its powers only recently had been strengthened by a U. S. appellate court ruling which placed on the packer of a container which is not full the burden of proving that

this slack fill is necessary for product protection.

Senator Hart was not satisfied with industry's voluntary measures or FDA's pledge of more rigorous enforcement of existing law. Instead, he prescribed new legislation. Borrowing the idea of Senator Douglas, he called his proposal the truth-in-packaging bill. The legislation, introduced last September, won several co-sponsors. (See "Here's Package You Won't Buy," December *NATION'S BUSINESS*.)

The bill would greatly expand the government's power to regulate labeling and packaging of grocery items, including soap and paper products not covered by present law.

Among other things, the proposed law would give the government discretionary power to require packers to sell products at specified standardized weights. During hearings industry spokesman tried, but failed, to dissuade Senator Hart from such a provision, arguing that it would hike production costs by curtailing the number of different product lines for which the same packaging machinery could be used.

Regimentation of farmers

Still another current catch phrase is supply management.

The philosophical father of President Kennedy's farm policies is Dr. Willard W. Cochrane, who came from the University of Minnesota campus to serve as Agriculture Secretary Orville L. Freeman's director of agricultural economics.

The Kennedy Administration's approach to farm programs was advocated by Dr. Cochrane in 1957 in a book, "Farm Prices—Myth and Reality." He said that agriculture should be treated like a government-regulated public utility. He warned that taxpayers would not go on indefinitely paying several billion dollars annually to prop farm prices.

Therefore, he said, farmers face a hard choice between collapse of farm prices and acceptance of a control system under which the government each year would determine how much of a major farm product could be marketed at a supposedly fair price and would allocate this total among farmers.

This is "supply control," Dr. Cochrane wrote in 1957. Three years later, Mr. Kennedy embraced the general approach, but changed the label. The phrase which came from the lips of presidential candidate Kennedy was supply management — a euphemism less offensive to the

ears of Midwest farmers. Only part of the supply management program—that dealing with wheat—was enacted by the first Kennedy Congress. The Administration hopes to push through a permanent surplus-curling measure for feed grains in the current session.

Sen. Hubert H. Humphrey, Minnesota Democrat and a facile phrase-maker, has contributed considerably to the lexicon of government programs. During the latter years of the Eisenhower Administration his advocacy of a food-for-peace program was hitting such a responsive chord among Midwest farmers that Republican congressmen persuaded President Eisenhower to appropriate the phrase in a farm message to Congress.

Food-for-peace is known more prosaically as the Agricultural Trade Development and Assistance Act, or as Public Law 480. Because of its preference for more colorful appellation, the Kennedy Administration sometimes gets its foot in its mouth. Newsmen cannot resist ribbing government press agents for issuing announcements that the government is shipping cotton or tobacco abroad under the food-for-peace program.

Some Democratic political pros contend that semantic difficulties have contributed to the lack of voter enthusiasm for President Kennedy's proposed cabinet-level Department of Urban Affairs and Housing.

"Everyone knows what a suburb is," says one Democrat, "but how many understand what urban means?"

This lawmaker added that he was not suggesting that the President could improve reception of his proposal by reverting to the title chosen by a Republican congressman in 1955 for a similar proposed agency. The congressman's bill, which expired after committee hearings, would have established a Department of Urbiculture.

Business interests—frequently on the defensive in the struggle over nomenclature—have sometimes scored notable victories.

Despite vehement protests from union leaders, right-to-work was generally accepted as the label for the laws that prohibit contracts that require all employees to join a union as a condition of employment.

In short, in Washington it sometimes helps to remember the warning Alice got in Wonderland:

"When I use a word, it means just what I choose it to mean—nothing more and nothing less."

—VINCENT J. BURKE

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THIS ISSUE IS CLEAR

PRESIDENT Thomas E. McNett of District 727, International Association of Machinists, AFL-CIO, faced with a great deal of satisfaction the mass meeting of Lockheed workers gathered in Valley College Stadium under a sunny California sky.

"I doubt that ever in the history of organized labor," he shouted, "has a membership had so much going for them."

He was right.

"A strike vote today," he concluded, "is imperative."

He got it.

The issue was clear: an all-union shop.

In 25 years of organizing the union has been unable through voluntary means to win the support of much more than half the Lockheed rank and file workers.

So now the union was out to take by force what it has failed miserably to merit, or to sell.

The strike goal was to shut down work on the mighty Polaris missile, to break the no-work-stoppage pledge at Cape Canaveral, to force a vote through which the union hoped to require workers in two Lockheed divisions to join up and pay dues or get out—find jobs elsewhere if they could.

This, after 25 years of failure to sell their co-workers on the spot.

From what source does Mr. McNett draw such arrogance? What powerful stream gave this small union membership "so much going for them?"

The stream's headwaters were in the White House.

• • •

Here's part of what was going for them—

To head a fact-finding board to look into the aerospace industry's refusal to give in to the demand for an all-union shop vote, President Ken-

nedy appointed George W. Taylor, a University of Pennsylvania professor whose record shows a definite sympathy for compulsory unionism.

The board reported in favor of the union's demand.

"... I would hope that the companies would accept it," President Kennedy told the world at a press conference, "because if there is a strike the responsibility would be very clear, I think, to the American people for such an action."

Next a Pentagon announcement brought blunt warning that contracts in progress at Lockheed, the nation's biggest defense producer, might be transferred elsewhere if the company's continued resistance to union demands resulted in a strike.

Two days later the Pentagon announced that any new or expanded contracts for Lockheed would be subject to the approval of the Army, Navy or Air Force secretaries—all presidential appointees.

This disclosed a new power play within the Pentagon. A key strategist was Deputy Assistant Secretary of Defense Stephen Shulman, recently appointed to intervene in such disputes from now on. His former job: executive assistant to Labor Secretaries Arthur J. Goldberg and W. Willard Wirtz.

But even this pressure—bordering on compulsion—didn't meet Mr. McNett's need for complete company capitulation.

The strike took place.

• • •

It flopped. Collapse came even more quickly than the failure of three earlier strikes against Lockheed divisions in the last decade, in which union security was a major factor.

"Lockheed's plants at Burbank and Van Nuys

SO IS THE STRATEGY

are completely shut down," union officials announced. "Production has stopped. The strike is an outstanding success."

The facts:

Employees on the job at struck Lockheed plants and test bases on the first day of the strike ranged from a low of 40.5 per cent to a high of 76.9. On the second day more went to work. The range was up to 85.1 per cent.

No work was noticeably delayed.

The union was heading for disaster.

Prompt action in Washington saved it. President Kennedy invoked the Taft-Hartley machinery to stop the strike. A union officer read before national network television cameras a statement opening with "We have acceded to this request. . . ."

• • •

Thus the New Frontier puts the power of the federal government behind organizing drives of two unions that campaigned for it.

In April Walter Reuther, president of the United Auto Workers, and Al Hayes, Machinists' president, issued a joint announcement that they were assigning task forces "to virtually every aerospace manufacturer and missile site" in the country for an all-out drive to get the all-union shop.

Their goal: 50,000 new members and \$3 million more in yearly dues.

The combined pressure of the government and the unions is tremendous.

The attainment so far is slight.

Douglas signed a contract for an agency shop, which means employees don't have to join but must pay fees to the union to hold their jobs.

Three other companies were covered by the Taylor board maneuver along with Lockheed. At

General Dynamics, Ryan Aeronautical and North American Aviation the all-union shop vote was put to the rank and file workers. In all three companies the workers rejected it.

At Boeing another presidentially appointed board arranged for a nonbinding vote to check employees' attitude.

The vote there was for the union.

Generally overlooked in the high-pressure organizing drive is this practical point: As the complications of modern technology increase, so does the demand for professional and technical people. The production-line worker, long the labor union's prime prospect, is decreasing in numbers.

The unions' main problem may be that in their present form they are becoming out of date.

• • •

This month the cooling off period at Lockheed provided by Taft-Hartley ends. Unless there is settlement before the end, Lockheed employees will have an opportunity to express themselves on whether or not they favor the company's offer of better wages and working conditions without compulsory unionism.

Other and broader issues are involved. These include individual freedom, the rights of management, political relationships between the federal government and organized labor, new techniques of government intervention in labor-management problems, and a principle.

The last is made clear by Lockheed Chairman Courtland Gross.

"We are not antiunion," says the chief executive officer of the first Southern California company in its field to recognize the machinists 25 years ago, "But we are anti-compulsion."

Lockheed also has much going for it.



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